

RICEVILLE 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  
Riceville Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Riceville Community School District, Riceville, Iowa, as of and for the year ended June 30, 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 Riceville Community School District as of 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 reports dated March 26, 2012, on our consideration of Riceville Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Riceville Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2010 and 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the five years ended June 30, 2008, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, 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

March 26, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### 2011 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,630,376 in fiscal 2010 to \$3,516,402 in fiscal 2011, while General Fund expenditures increased from \$3,403,167 in fiscal 2010 to \$3,570,059 in fiscal 2011. The District's General Fund balance decreased from \$944,887 in fiscal 2010 to \$891,230 in fiscal 2011, a 7% decrease.
- The decrease in General Fund revenues was attributable to a decrease in federal revenue sources offset by increases in local and state revenue in fiscal 2011. The increase in expenditures was due primarily to a non-staff related expenditures for supplies, equipment and a decrease in beginning fund balance due to an adjustment to a prior year receivable.
- The District's fiscal year 2011 unspent maximum authorized budget, as calculated by the Iowa Dept of Education, is the unspent portion of the maximum amount a district may expend from the General Fund for the budget year, has declined to an estimated \$103,217 or 69.4%. The District began a process to reverse the declining trend.
- The District purchased laptops for grades 6-12 students and financed the purchased of \$389,322 through a lease which will be paid in biannual payments of \$50,290 through December 2014.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

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

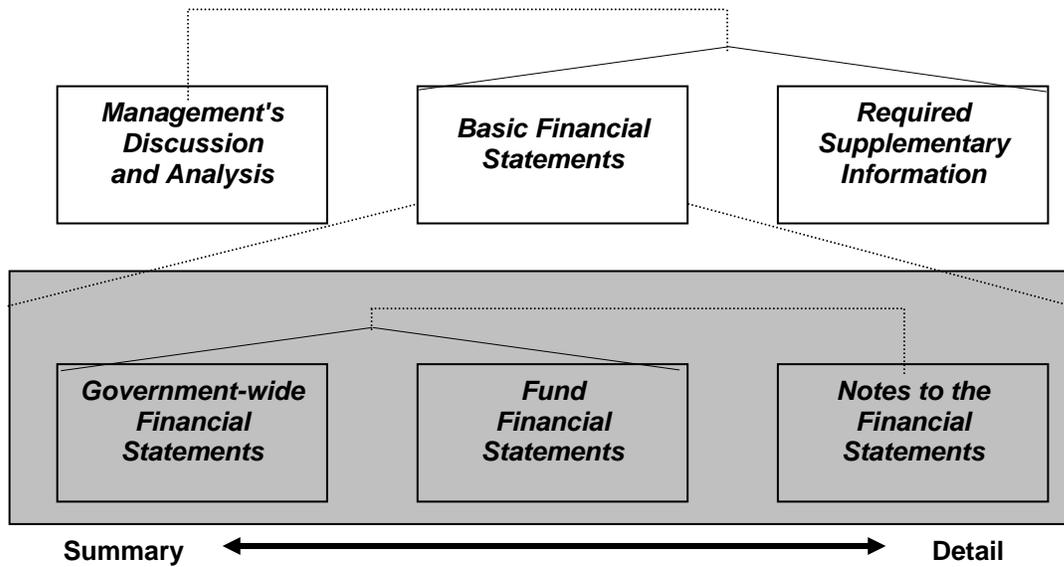


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has two kinds of funds:

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 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		
	2010	2011	2010	2011	2010	2011	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,822,467	4,631,792	65,279	56,325	4,887,746	4,688,117	-4%
Capital assets	1,195,732	1,017,087	57,753	52,478	1,253,485	1,069,565	-15%
<b>Total assets</b>	<b>6,018,199</b>	<b>5,648,879</b>	<b>123,032</b>	<b>108,803</b>	<b>6,141,231</b>	<b>5,757,682</b>	<b>-6%</b>
Long-term liabilities	300,885	124,542	340	640	301,225	125,182	-58%
Other liabilities	2,429,163	2,323,660	11,120	22,092	2,440,283	2,345,752	-4%
<b>Total liabilities</b>	<b>2,730,048</b>	<b>2,448,202</b>	<b>11,460</b>	<b>22,732</b>	<b>2,741,508</b>	<b>2,470,934</b>	<b>-10%</b>
Net Assets:							
Invested in capital assets, net of related debt	1,066,290	917,516	57,753	52,478	1,124,043	969,994	-14%
Restricted	1,264,903	1,401,957	-	-	1,264,903	1,401,957	11%
Unrestricted	956,958	881,204	53,819	33,593	1,010,777	914,797	-9%
<b>TOTAL NET ASSETS</b>	<b>3,288,151</b>	<b>3,200,677</b>	<b>111,572</b>	<b>86,071</b>	<b>3,399,723</b>	<b>3,286,748</b>	<b>-3%</b>

The District's combined net assets decreased by 3%, or approximately \$112,975, over the prior year.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$137,054 or 11% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$95,980, or 9%.

Figure A-4 shows the change in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4

	Governmental Activities		Change in Net Assets Business-type Activities		Total School District		Percentage Change
	2010	2011	2010	2011	2010	2011	2010-2011
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	498,224	609,469	98,170	83,125	596,394	692,594	16%
Operating grants & contributions	880,500	588,991	62,286	68,343	942,786	657,334	-30%
Capital grants & contributions							
General Revenues:							
Property taxes	2,000,769	2,038,288	-	-	2,000,769	2,038,288	2%
Income Surtax	220,597	93,014	-	-	220,597	93,014	-58%
Statewide sales tax	176,016	213,122	-	-	176,016	213,122	21%
Unrestricted state grants	588,043	668,125	-	-	588,043	668,125	14%
Unrestricted investment earnings	19,266	18,331	161	109	19,427	18,440	-5%
Other revenue	1,898	342	-	-	1,898	342	-82%
<b>Total Revenues</b>	<b>4,385,313</b>	<b>4,229,682</b>	<b>160,617</b>	<b>151,577</b>	<b>4,545,930</b>	<b>4,381,259</b>	<b>-4%</b>
Expenses:							
Instruction	2,600,811	2,419,644	-	-	2,600,811	2,419,644	-7%
Support services	1,164,094	1,331,114	-	-	1,164,094	1,331,114	14%
Non-instructional programs	-	-	153,927	177,078	153,927	177,078	15%
Other expenditures	272,358	566,398	-	-	272,358	566,398	108%
<b>Total expenses</b>	<b>4,037,263</b>	<b>4,317,156</b>	<b>153,927</b>	<b>177,078</b>	<b>4,191,190</b>	<b>4,494,234</b>	<b>7%</b>
<b>Change in net assets</b>	<b>348,050</b>	<b>(87,474)</b>	<b>6,690</b>	<b>(25,501)</b>	<b>354,740</b>	<b>(112,975)</b>	<b>-132%</b>
Net assets beginning of year	2,940,101	3,288,151	104,882	111,572	3,044,983	3,399,723	12%
<b>Net assets end of year</b>	<b>3,288,151</b>	<b>3,200,677</b>	<b>111,572</b>	<b>86,071</b>	<b>3,399,723</b>	<b>3,286,748</b>	<b>-3%</b>

Property taxes and unrestricted state grants are the largest revenue categories, accounting for 62% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 83% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$4,229,682 and expenses were \$4,317,156. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

	Total and Net Cost of Governmental Activities			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2010	2011	2010	2011
	\$	\$	\$	\$
Instruction	2,600,811	2,419,644	1,363,733	1,482,145
Support Services	1,164,094	1,331,114	1,162,484	1,210,594
Non-instructional Programs	-	-	-	-
Other Expenses	272,358	566,398	132,322	425,957
<b>TOTAL</b>	<b>4,037,263</b>	<b>4,317,156</b>	<b>2,658,539</b>	<b>3,118,696</b>

- The cost financed by users of the District's programs was \$609,469;
- Federal and state governments subsidized certain programs with grants and contributions totaling \$588,991.
- The net cost of governmental activities was financed with \$2,344,424 in property and other taxes and \$668,125 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$151,577 and expenses were \$177,078. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **INDIVIDUAL FUND ANALYSIS**

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

### **Governmental Fund Highlights**

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

- The General Fund balance increased from \$717,025 to \$944,887. This represents an increase of \$227,862 or 32%, due in part to cost cutting measures that included reduction in staff.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.
  - The Physical Plant and Equipment Levy account balance increased from \$392,962 at June 30, 2010 to \$420,615 at June 30, 2011
  - The Statewide Sales Tax account balance decreased from \$339,675 at June 30, 2010 to \$334,016 at June 30, 2011.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$111,572 at June 30, 2010 to \$86,071 at June 30, 2011, representing an decrease of 23%.

## **BUDGETARY HIGHLIGHTS**

The District's total revenues were \$112,504 less than total budgeted revenues, a variance of less than 4%.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the District had invested approximately \$1,069,565, 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 15% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2010	2011	2010	2011	2010	2011	2010-2011
	\$	\$	\$	\$	\$	\$	
Land	37,000	37,000	-	-	37,000	37,000	0%
Buildings	869,343	798,103	-	-	869,343	798,103	-8%
Improvements	54,734	46,149	-	-	54,734	46,149	-16%
Equipment & Furniture	234,655	135,835	57,753	52,478	292,408	188,313	-36%
<b>TOTAL</b>	<b>1,195,732</b>	<b>1,017,087</b>	<b>57,753</b>	<b>52,478</b>	<b>1,253,485</b>	<b>1,069,565</b>	<b>-15%</b>

### Long-Term Debt

At June 30, 2011 the District had \$125,182 in long-term debt outstanding.

Figure A-7

### Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2010	2011	2010-2011
	\$	\$	
Governmental activities:			
Contracts payable	129,442	99,571	-23%
Termination benefits	158,188	-	-100%
Net OPEB liability	13,255	24,971	88%
Total	<u>300,885</u>	<u>124,542</u>	<u>-59%</u>
Business type activities:			
Net OPEB liability	<u>340</u>	<u>640</u>	<u>88%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Our budget enrollment dropped by over 100 students in 6 years. Declining enrollment will continue to impact the District in future years. The District continues to have more students open enrolling in than enrolled out.

- The District in order to reduce utility expenses and increase energy efficiencies has contracted with a vendor to perform an energy audit during fiscal year 2012.
- The District has estimated that at current spending rates and trends the unspent maximum authorized budget would be negative at June 30, 2012. During Fiscal-Year 2012, the District is making short-term changes to minimize if not eliminate the negative balance at year-end. Those include requesting additional spending authority from the State for items allowed but not requested in the past, reducing expenses below the line item budget and/or increasing miscellaneous income.

The long-term solution will be to cut continuing expenses such as salaries and benefits, which is the majority of general fund expenses to a level that can be supported by the maximum authorized budget.

- The elimination of the state budget guarantee continues to place a greater burden on local taxpayers, as district costs do not necessarily decrease with fewer students.

## **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 Jennifer Dunn, District Secretary, Riceville Community School District, Riceville, Iowa 50466.

## BASIC FINANCIAL STATEMENTS

## RICEVILLE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	2,567,285	63,029	2,630,314
Receivables:			
Property tax:			
Delinquent	22,959	-	22,959
Succeeding year	1,660,519	-	1,660,519
Accounts	2,903	54	2,957
Internal balances	19,244	(19,244)	-
Due from other governments	354,391	-	354,391
Inventories	-	12,486	12,486
Prepaid expenses	4,491	-	4,491
Capital assets, net of accumulated depreciation	1,017,087	52,478	1,069,565
<b>Total assets</b>	<b>5,648,879</b>	<b>108,803</b>	<b>5,757,682</b>
<b>Liabilities</b>			
Accounts payable	-	9,236	9,236
Salaries and benefits payable	391,211	9,342	400,553
Due to other governments	229,800	-	229,800
Deferred revenue:			
Succeeding year property tax	1,660,519	-	1,660,519
Other	42,130	3,514	45,644
Long-term liabilities:			
Portion due within one year:			
Contract payable	29,871	-	29,871
Portion due after one year:			
Contract payable	69,700	-	69,700
Net OPEB liability	24,971	640	25,611
<b>Total liabilities</b>	<b>2,448,202</b>	<b>22,732</b>	<b>2,470,934</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	917,516	52,478	969,994
Restricted for:			
Categorical funding	75,754	-	75,754
Management levy	431,326	-	431,326
Physical plant and equipment levy	492,455	-	492,455
Student activities	68,406	-	68,406
School infrastructure	334,016	-	334,016
Unrestricted	881,204	33,593	914,797
<b>Total net assets</b>	<b>3,200,677</b>	<b>86,071</b>	<b>3,286,748</b>

See notes to financial statements.

Riceville 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>Governmental activities:</b>				
<b>Instruction:</b>				
Regular	1,423,882	309,912	328,932	-
Special	430,153	54,453	67,915	-
Other	565,609	124,584	51,703	-
	<u>2,419,644</u>	<u>488,949</u>	<u>448,550</u>	<u>-</u>
<b>Support services:</b>				
Student	58,462	-	-	-
Instructional staff	135,275	46,352	-	-
Administration	515,038	73,718	-	-
Operation and maintenance of plant	358,803	450	-	-
Transportation	263,536	-	-	-
	<u>1,331,114</u>	<u>120,520</u>	<u>-</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	346,132	-	-	-
AEA flowthrough	140,441	-	140,441	-
Depreciation (unallocated)*	79,825	-	-	-
	<u>566,398</u>	<u>-</u>	<u>140,441</u>	<u>-</u>
<b>Total governmental activities</b>	<b>4,317,156</b>	<b>609,469</b>	<b>588,991</b>	<b>-</b>
<b>Business type activities:</b>				
Food service operations	177,078	83,125	68,343	-
<b>Total</b>	<b><u>4,494,234</u></b>	<b><u>692,594</u></b>	<b><u>657,334</u></b>	<b><u>-</u></b>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
<b>Total general revenues</b>				

**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
\$	\$	\$
(785,038)	-	(785,038)
(307,785)	-	(307,785)
(389,322)	-	(389,322)
<u>(1,482,145)</u>	<u>-</u>	<u>(1,482,145)</u>
(58,462)	-	(58,462)
(88,923)	-	(88,923)
(441,320)	-	(441,320)
(358,353)	-	(358,353)
(263,536)	-	(263,536)
<u>(1,210,594)</u>	<u>-</u>	<u>(1,210,594)</u>
(346,132)	-	(346,132)
-	-	-
(79,825)	-	(79,825)
<u>(425,957)</u>	<u>-</u>	<u>(425,957)</u>
(3,118,696)	-	(3,118,696)
-	(25,610)	(25,610)
<u>(3,118,696)</u>	<u>(25,610)</u>	<u>(3,144,306)</u>
1,893,804	-	1,893,804
144,484	-	144,484
93,014	-	93,014
213,122	-	213,122
668,125	-	668,125
18,331	109	18,440
342	-	342
<u>3,031,222</u>	<u>109</u>	<u>3,031,331</u>
(87,474)	(25,501)	(112,975)
<u>3,288,151</u>	<u>111,572</u>	<u>3,399,723</u>
<u>3,200,677</u>	<u>86,071</u>	<u>3,286,748</u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2011

	General Fund	Capital Projects	Management Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	1,358,631	716,946	429,074	62,634	2,567,285
Receivables:					
Property tax:					
Delinquent	19,084	1,623	2,252	-	22,959
Succeeding year	1,462,669	97,850	100,000	-	1,660,519
Accounts	-	-	-	2,903	2,903
Interfund receivable	19,244	-	-	2,869	22,113
Due from other governments	246,489	107,902	-	-	354,391
Prepaid expenses	-	-	-	4,491	4,491
<b>Total assets</b>	<b>3,106,117</b>	<b>924,321</b>	<b>531,326</b>	<b>72,897</b>	<b>4,634,661</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Salaries and benefits payable	391,211	-	-	-	391,211
Due to other governments	229,800	-	-	-	229,800
Interfund payable	2,869	-	-	-	2,869
Deferred revenue:					
Succeeding year property tax	1,462,669	97,850	100,000	-	1,660,519
Income surtax	86,208	71,840	-	-	158,048
Other	42,130	-	-	-	42,130
Total liabilities	<u>2,214,887</u>	<u>169,690</u>	<u>100,000</u>	<u>-</u>	<u>2,484,577</u>
Fund balances:					
Nonspendable:					
Prepaid expenses	-	-	-	4,491	4,491
Restricted for:					
Categorical funding	75,754	-	-	-	75,754
Management levy purposes	-	-	431,326	-	431,326
Student activities	-	-	-	68,406	68,406
School infrastructure	-	334,016	-	-	334,016
Physical plant and equipment	-	420,615	-	-	420,615
Unassigned	815,476	-	-	-	815,476
Total fund balances	<u>891,230</u>	<u>754,631</u>	<u>431,326</u>	<u>72,897</u>	<u>2,150,084</u>
<b>Total liabilities and fund balances</b>	<b>3,106,117</b>	<b>924,321</b>	<b>531,326</b>	<b>72,897</b>	<b>4,634,661</b>

See notes to financial statements.

## RICEVILLE 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>	2,150,084
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,017,087
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	158,048
Long-term liabilities, including contracts payable and other post employment benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(124,542)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>3,200,677</u></u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General Fund	Capital Projects	Management Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,773,883	423,044	199,901	-	2,396,828
Tuition	255,777	-	-	-	255,777
Other	229,774	6,747	2,725	133,119	372,365
Intermediate sources	200	-	-	-	200
State sources	1,052,136	63	85	-	1,052,284
Federal sources	204,632	-	-	-	204,632
Total revenues	<u>3,516,402</u>	<u>429,854</u>	<u>202,711</u>	<u>133,119</u>	<u>4,282,086</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,373,456	-	111,910	-	1,485,366
Special	428,050	-	-	-	428,050
Other	441,673	-	34,809	122,434	598,916
	<u>2,243,179</u>	<u>-</u>	<u>146,719</u>	<u>122,434</u>	<u>2,512,332</u>
Support services:					
Student	56,262	-	-	-	56,262
Instructional staff	119,554	15,421	-	-	134,975
Administration	467,977	16,436	40,592	-	525,005
Operation and maintenance of plant services	334,443	-	20,385	-	354,828
Transportation	208,203	-	6,805	-	215,008
	<u>1,186,439</u>	<u>31,857</u>	<u>67,782</u>	<u>-</u>	<u>1,286,078</u>
Other expenditures:					
Facilities acquisition	-	346,132	-	-	346,132
Long-term debt:					
Principal	-	-	-	29,871	29,871
AEA flowthrough	140,441	-	-	-	140,441
	<u>140,441</u>	<u>346,132</u>	<u>-</u>	<u>29,871</u>	<u>516,444</u>
Total expenditures	<u>3,570,059</u>	<u>377,989</u>	<u>214,501</u>	<u>152,305</u>	<u>4,314,854</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(53,657)</u>	<u>51,865</u>	<u>(11,790)</u>	<u>(19,186)</u>	<u>(32,768)</u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General Fund	Capital Projects	Management Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Operating transfers in	-	-	-	29,871	29,871
Operating transfers out	-	(29,871)	-	-	(29,871)
Total other financing sources (uses)	-	(29,871)	-	29,871	-
Net change in fund balances	(53,657)	21,994	(11,790)	10,685	(32,768)
Fund balances beginning of year, as restated	944,887	732,637	443,116	62,212	2,182,852
Fund balances end of year	891,230	754,631	431,326	72,897	2,150,084

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(32,768)
<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		(178,645)
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.		
		(52,404)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		29,871
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	158,188	
Other postemployment benefits	(11,716)	146,472
	<u>158,188</u>	<u>146,472</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>(87,474)</u></u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	63,029
Accounts receivable	54
Inventories	12,486
Capital assets, net of accumulated depreciation	<u>52,478</u>
<b>Total assets</b>	<u>128,047</u>
<b>Liabilities</b>	
Interfund payable	19,244
Accounts payable	9,236
Salaries and benefits payable	9,342
Deferred revenue	3,514
Net OPEB liability	<u>640</u>
<b>Total liabilities</b>	<u>41,976</u>
<b>Net assets</b>	
Invested in capital assets	52,478
Unrestricted	<u>33,593</u>
<b>Total net assets</b>	<u><u>86,071</u></u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>83,125</u>
Operating expenses:	
Salaries	55,633
Benefits	10,818
Purchased services	11,693
Supplies	91,956
Depreciation	6,330
Total operating expenses	<u>176,430</u>
Operating income (loss)	<u>(93,305)</u>
Non-operating revenue (expenses):	
State sources	1,469
Federal sources	66,874
Interest income	109
Loss on disposal of equipment	(648)
Total non-operating revenue	<u>67,804</u>
Change in net assets	(25,501)
Net assets beginning of year	<u>111,572</u>
Net assets end of year	<u><u>86,071</u></u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	84,609
Cash payments to employees for services	(56,809)
Cash payments to suppliers for goods or services	(90,592)
Net cash used by operating activities	<u>(62,792)</u>
Cash flows from non-capital financing activities:	
Loan from (repaid to) General Fund	19,244
State grants received	1,469
Federal grants received	52,782
Net cash provided by non-capital financing activities	<u>73,495</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,703)</u>
Cash flows from investing activities:	
Interest on investments	<u>109</u>
Net increase (decrease) in cash and cash equivalents	9,109
Cash and cash equivalents at beginning of year	<u>53,920</u>
Cash and cash equivalents at end of year	<u><u>63,029</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	(93,305)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	14,092
Depreciation	6,330
Decrease (increase) in inventories	(1,187)
Decrease (increase) in accounts receivable	6
(Decrease) increase in accounts payable	9,236
(Decrease) increase in salaries and benefits payable	258
(Decrease) increase in deferred revenue	1,478
(Decrease) increase in othe postemployment benefits	300
Net cash used by operating activities	<u><u>(62,792)</u></u>

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

During the year ended June 30, 2011, the District received \$14,092 of federal commodities.

# RICEVILLE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2011

### 1. Summary of Significant Accounting Policies

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

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

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary fund:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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	1
Buildings	500
Improvements other than buildings	500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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	50 years
Intangibles	3-10 years
Furniture and equipment	5 years

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

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

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

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

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

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

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

Non-spendable – Amounts which cannot be spent because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

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 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 did not exceed the amounts 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.

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

### 3. Interfund Receivables and Payables

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

Receivable Fund	Payable Fund	Amount
		\$
General Fund	Nonmajor School Nutrition Fund	19,244
Nonmajor Student Activity Fund	General Fund	2,869

The interfund receivables and payables were the result of year-end disbursement reclassifications between funds.

### 4. Interfund Transfers

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

Transfer To	Transfer From	Amount
		\$
Nonmajor Debt Service Fund	Capital Projects Fund	29,871

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

### 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:				
Land	37,000	-	-	37,000
Capital assets being depreciated:				
Buildings	2,367,266	-	-	2,367,266
Improvements other than buildings	342,249	-	-	342,249
Furniture and equipment	1,216,481	-	52,040	1,164,441
Total capital assets being deprec.	3,925,996	-	52,040	3,873,956

Less accumulated depreciation for:				
Buildings	1,497,923	71,240	-	1,569,163
Improvements other than buildings	287,515	8,585	-	296,100
Furniture and equipment	981,826	98,820	52,040	1,028,606
Total accumulated depreciation	<u>2,767,264</u>	<u>178,645</u>	<u>52,040</u>	<u>2,893,869</u>
Total capital assets being depreciated, net	<u>1,158,732</u>	<u>(178,645)</u>	-	<u>980,087</u>
Governmental activities capital assets, net	<u>1,195,732</u>	<u>(178,645)</u>	-	<u>1,017,087</u>

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	161,563	1,703	1,197	162,069
Less accumulated depreciation	<u>103,810</u>	<u>6,330</u>	<u>549</u>	<u>109,591</u>
Business type activities capital assets, net	<u>57,753</u>	<u>(4,627)</u>	<u>648</u>	<u>52,478</u>

Depreciation expense was charged to the following functions:

	Amount
	\$
Governmental activities:	
Instruction:	
Regular	44,717
Support Services:	
Student Support	1,900
Operation and maintenance	3,675
Transportation	<u>48,528</u>
	98,820
Unallocated depreciation	<u>79,825</u>
Total depreciation expense – governmental activities	<u>178,645</u>
Business type activities:	
Food services	<u>6,330</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
	\$	\$	\$	\$	\$
Governmental activities:					
Contract payable	129,442	-	29,871	99,571	29,871
Termination benefits	158,188	-	158,188	-	-
Net OPEB liability	<u>13,255</u>	<u>11,716</u>	<u>-</u>	<u>24,971</u>	<u>-</u>
<b>Total</b>	<b><u>300,885</u></b>	<b><u>11,716</u></b>	<b><u>188,059</u></b>	<b><u>124,542</u></b>	<b><u>29,871</u></b>
Business type activities:					
Net OPEB liability	<u>340</u>	<u>300</u>	<u>-</u>	<u>640</u>	<u>-</u>

### Termination Benefits

The District offered a voluntary early retirement plan to its certified employees during fiscal year 2010. Eligible employees must be at least age fifty-five and employees must have completed twelve years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

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

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

At June 30, 2011, the District has obligations to no participants and has no liability. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$158,188.

### Contract Payable

During the year ended June 30, 2009, the District entered into a contract for lighting improvements. The contract bears no interest and is payable from the Capital Projects Physical Plant and Equipment Levy account. Details of the District's indebtedness under the agreements in effect at June 30, 2011 are as follows:

Year Ending June 30,	Principal
	\$
2012	29,871
2013	29,871
2014	29,871
2015	<u>9,958</u>
	<b><u>99,571</u></b>

During the year ended June 30, 2011 the District made principal payments totaling \$29,871 under the agreement.

## **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 that are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements

and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual 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 \$133,935, \$116,399, and \$142,959 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 40 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

	\$
Annual required contribution	21,783
Interest on net OPEB obligation	340
Adjustment to annual required contribution	<u>(1,809)</u>
Annual OPEB cost	20,314
Contributions made	<u>8,298</u>
Increase in net OPEB obligation	12,016
Net OPEB obligation beginning of year	<u>13,595</u>
Net OPEB obligation end of year	<u>25,611</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 \$8,298 to the medical plan. Plan members eligible for benefits contributed \$49,164, or 86% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	20,404	33%	13,595
June 30, 2011	20,314	41%	25,611

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 \$178,423, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$178,423. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,700,000, and the ratio of the UAAL to covered payroll was 10.5%. 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

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

## 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 \$140,441 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. Commitment

In May 2011 the District entered into a contract to lease purchase \$389,322 of computers. The computers had not been delivered to the school at June 30, 2011.

### 12. Operating Lease Commitment

The District entered into a contract to lease copiers in June 2011. The payments the District will make over the next six years are as follows:

Year Ended June 30	Lease Payment \$
2012	6,321
2013	6,894
2014	6,894
2015	6,894
2016	6,894
2017	575

### 13. Categorical Funding

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

Program	Amount \$
Limited English Proficiency	2,589
Gifted and talented	8,794
Mentoring	665
Teacher salary supplement	33,285
Core curriculum	19,294
Educator quality, professional development	11,127
	<u>75,754</u>

### 14. 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:

	Capital Projects \$	Special Revenue, Physical Plant and Equipment Levy \$
Balances June 30, 2010, as previously reported	339,675	392,962
Change in fund type classification per implementation of GASB Statement No. 54	<u>392,962</u>	<u>(392,962)</u>
Balances July 1, 2010, as restated	<u>732,637</u>	<u>-</u>

REQUIRED SUPPLEMENTARY INFORMATION

RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
<b>Revenues:</b>						
Local sources	3,024,970	83,234	3,108,204	3,220,708	3,220,708	(112,504)
Intermediate sources	200	-	200	26,000	26,000	(25,800)
State sources	1,052,284	1,469	1,053,753	1,380,314	1,380,314	(326,561)
Federal sources	204,632	66,874	271,506	240,000	240,000	31,506
Total revenues	<u>4,282,086</u>	<u>151,577</u>	<u>4,433,663</u>	<u>4,867,022</u>	<u>4,867,022</u>	<u>(433,359)</u>
<b>Expenditures/Expenses:</b>						
Instruction	2,512,332	-	2,512,332	2,913,320	2,913,320	400,988
Support services	1,286,078	-	1,286,078	1,685,000	1,685,000	398,922
Non-instructional programs	-	177,078	177,078	215,000	215,000	37,922
Other expenditures	516,444	-	516,444	851,524	851,524	335,080
Total expenditures/expenses	<u>4,314,854</u>	<u>177,078</u>	<u>4,491,932</u>	<u>5,664,844</u>	<u>5,664,844</u>	<u>1,172,912</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(32,768)	(25,501)	(58,269)	(797,822)	(797,822)	739,553
Balance beginning of year	<u>2,182,852</u>	<u>111,572</u>	<u>2,294,424</u>	<u>891,891</u>	<u>891,891</u>	<u>1,402,533</u>
Balance end of year	<u><u>2,150,084</u></u>	<u><u>86,071</u></u>	<u><u>2,236,155</u></u>	<u><u>94,069</u></u>	<u><u>94,069</u></u>	<u><u>2,142,086</u></u>

RICEVILLE 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 the GAAP basis.

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

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

RICEVILLE 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	-	187,657	187,657	0.0%	1,620,000	11.6%
2011	July 1, 2009	-	178,467	178,467	0.0%	1,700,000	10.5%

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

## RICEVILLE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2011

	Special Revenue <u>Student Activity</u>	Debt Service	<u>Total</u>
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	62,634	-	62,634
Receivables:			
Property tax:			
Accounts	2,903	-	2,903
Interfund receivable	2,869	-	2,869
Prepaid expenses	4,491	-	4,491
	<u>72,897</u>	<u>-</u>	<u>72,897</u>
<b>Total assets</b>	<u>72,897</u>	<u>-</u>	<u>72,897</u>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable prepaid expenses	4,491	-	4,491
Restricted for:			
Student activities	68,406	-	68,406
Total fund balances	<u>72,897</u>	<u>-</u>	<u>72,897</u>
<b>Total liabilities and fund balances</b>	<u>72,897</u>	<u>-</u>	<u>72,897</u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Revenue Fund		
	Student Activity	Debt Service	Total
	\$	\$	\$
Revenues:			
Local sources:			
Other	133,119	-	133,119
Expenditures:			
Current:			
Instruction:			
Other instruction	122,434	-	122,434
Long-term debt:			
Principal	-	29,871	29,871
Total expenditures	122,434	29,871	152,305
Excess (deficiency) of revenues over (under) expenditures	10,685	(29,871)	(19,186)
Other financing sources (uses):			
Operating transfers in	-	29,871	29,871
Net change in fund balances	10,685	-	10,685
Fund balances beginning of year, as restated	62,212	-	62,212
Fund balances end of year	72,897	-	72,897

## RICEVILLE 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	297,954	418,992	716,946
Receivables:			
Property tax:			
Delinquent	-	1,623	1,623
Succeeding year	-	97,850	97,850
Due from other governments	36,062	71,840	107,902
<b>Total assets</b>	<b>334,016</b>	<b>590,305</b>	<b>924,321</b>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	-	97,850	97,850
Income surtax	-	71,840	71,840
Total liabilities	-	169,690	169,690
Fund balances:			
Restricted for:			
School infrastructure	334,016	-	334,016
Physical plant and equipment	-	420,615	420,615
Total fund balances	334,016	420,615	754,631
<b>Total liabilities and fund balances</b>	<b>334,016</b>	<b>590,305</b>	<b>924,321</b>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Year Ended June 30, 2011

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	213,122	209,922	423,044
Other	3,187	3,560	6,747
State sources	-	63	63
Total revenues	<u>216,309</u>	<u>213,545</u>	<u>429,854</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	-	15,421	15,421
Administration services	-	16,436	16,436
Other expenditures:			
Facilities acquisition	221,968	124,164	346,132
Total expenditures	<u>221,968</u>	<u>156,021</u>	<u>377,989</u>
Excess (deficiency) of revenues over (under) expenditures	(5,659)	57,524	51,865
Other financing sources (uses):			
Operating transfers out	-	(29,871)	(29,871)
Net change in fund balance	(5,659)	27,653	21,994
Fund balances beginning of year, as restated	<u>339,675</u>	<u>392,962</u>	<u>732,637</u>
Fund balance end of year	<u>334,016</u>	<u>420,615</u>	<u>754,631</u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

Account	Balance	Revenues	Expenditures	Infra-Fund Transfers	Balance
	Beginning of Year				End of Year
	\$	\$	\$	\$	\$
Annual	3,716	3,986	6,187	53	1,568
Athletics	2,905	30,579	33,484	-	-
Wrestling	1,119	2,708	3,209	-	618
Girls basketball	161	270	372	-	59
Volleyball	321	2,910	3,104	-	127
Boys basketball I	12	980	125	-	867
Softball	2,202	5,671	7,407	-	466
Baseball	1,284	4,915	3,763	-	2,436
Cheerleaders	881	799	1,084	-	596
Class of 2010	-	68	-	-	68
Class of 2011	2,808	100	1,686	-	1,222
Class of 2012	2,927	370	1,131	-	2,166
Class of 2013	2,969	-	570	-	2,399
Class of 2014	2,762	1	556	-	2,207
Class of 2015	3,123	2,575	1,194	-	4,504
Class of 2016	328	207	126	-	409
Class of 2017	-	1,267	625	-	642
Future Farmers of America	9,953	42,822	33,438	-	19,337
Honor society	255	69	85	-	239
Junior high library	1,279	118	-	-	1,397
Vocal music	523	726	908	-	341
Instrumental music	4,774	2,683	6,094	-	1,363
Resale:					
Shop	215	321	21	-	515
Vocational agriculture	604	422	685	-	341
Spanish class	34	-	-	-	34
Special plans	10,344	3,249	2,495	-	11,098
Business ed	394	851	155	-	1,090
Food & fitness	2,682	3,320	1,924	-	4,078
Art	407	813	1,046	-	174
Cornbowl Conference	-	17,044	7,362	-	9,682
Speech and forensics	1,261	648	515	-	1,394
Journalism	53	-	-	(53)	-
Video production	67	-	-	-	67
HS student council	543	575	409	-	709
MS student council	107	-	-	-	107
Intro to manufacturing	54	-	-	-	54
Electrathon	157	-	-	-	157
Senior graduation account	362	-	-	-	362
Foods class	626	2,052	2,674	-	4
<b>Total</b>	<b>62,212</b>	<b>133,119</b>	<b>122,434</b>	<b>-</b>	<b>72,897</b>

See accompanying independent auditor's report.

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	2,396,828	2,334,839	2,519,592	2,705,572	2,348,961	2,104,770	2,007,868	1,876,077
Tuition	255,777	321,711	294,574	223,692	216,260	195,239	156,087	108,229
Other	372,365	195,779	233,950	333,642	287,410	282,852	218,016	178,441
Intermediate sources	200	-	-	-	-	-	-	-
State sources	1,052,284	970,325	1,310,646	1,237,468	1,467,065	1,289,154	1,403,190	1,262,474
Federal sources	204,632	498,218	234,132	168,379	170,134	205,730	169,805	194,987
Total revenues	<u>4,282,086</u>	<u>4,320,872</u>	<u>4,592,894</u>	<u>4,668,753</u>	<u>4,489,830</u>	<u>4,077,745</u>	<u>3,954,966</u>	<u>3,620,208</u>
Expenditures:								
Instruction:								
Regular instruction	1,485,366	1,369,358	1,492,566	1,629,605	1,582,941	1,454,349	1,452,958	1,547,523
Special instruction	428,050	428,948	458,464	253,381	573,884	419,474	368,598	272,466
Other instruction	598,916	607,324	673,248	584,317	267,974	485,726	423,577	464,293
Support services:								
Student services	56,262	54,092	81,566	80,494	79,853	92,833	117,210	111,184
Instructional staff services	134,975	118,631	65,479	132,113	102,340	81,403	108,739	70,667
Administration services	525,005	402,403	403,636	412,417	508,308	475,289	488,844	492,758
Operation and maintenance	354,828	346,494	483,832	425,216	408,681	376,840	371,090	317,152
Transportation services	215,008	201,150	227,922	399,862	340,750	367,977	269,025	232,706
Central support services	-	-	-	-	-	-	97,791	1,986
Non-instructional programs	-	-	2,067	8,735	-	-	-	8,611
Other expenditures:								
Facilities acquisition	346,132	76,967	194,779	512,096	268,998	299,453	180,233	151,943
Long-term debt:								
Principal	29,871	29,871	29,871	19,914	-	-	-	-
AEA flowthrough	140,441	140,036	133,475	130,693	131,731	127,246	128,100	130,590
Total expenditures	<u>4,314,854</u>	<u>3,775,274</u>	<u>4,246,905</u>	<u>4,588,843</u>	<u>4,265,460</u>	<u>4,180,590</u>	<u>4,006,165</u>	<u>3,801,879</u>

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  
Riceville Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Riceville Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 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 Riceville Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Riceville Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Riceville Community School District's internal control over financial reporting.

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

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

### Compliance and Other Matters

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

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

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

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

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

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

March 26, 2012

RICEVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

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, preparing checks and bank reconciliations, preparing and posting general journal entries, payroll processing, and preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important that District officials are aware that the condition exists.

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

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

Conclusion: Response accepted.

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.

RICEVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

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

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

District Response: The board president now keeps control of his signature stamp.

Conclusion: Response accepted.

RICEVILLE 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, did not exceed the amounts budgeted.
- 11-II-B Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 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: The number of resident students reported to the Iowa Department of Education on the Certified Enrollment Certification for October 2010, was understated by one student.
- Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- District Response: We have contacted these departments.
- Conclusion: Response accepted.
- 11-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 11-II-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted, except at June 30, 2011 the District exceeded the maximum dollar deposit amount on its depository resolution.
- Recommendation: The District should increase the maximum dollar deposit amount listed on the depository resolution.
- District Response: We will change the authorized deposit amount.
- Conclusion: Response accepted.
- 11-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

RICEVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

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.

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	\$	\$
		339,675
Revenues/transfers in:		
Statewide sales, services and use tax revenue	213,122	
Other local revenues	<u>3,187</u>	216,309
Expenditures/transfers out:		
School infrastructure construction		<u>221,968</u>
Ending balance		<u><u>334,016</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.

11-II-M 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. We noted accounts for library, shop resale, Spanish class, foods class, special plans, business education and art reported in the Special Revenue, Student Activity Fund. These do not appear to be extracurricular or co-curricular in nature.

Recommendation: The District should review and reclassify these accounts to the appropriate fund in accordance with the guidelines.

District Response: We will review the activity in the accounts and make any necessary fund reclassifications.

Conclusion: Response accepted.