

RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Riverside Community School District

Officials

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

RIVERSIDE

CARSON-MACEDONIA-OAKLAND

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Riverside Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Riverside Community School District, Carson Iowa, as of and for the year ended June 30, 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Riverside Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2012 on our consideration of Riverside Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Riverside Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not expressed herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,196,468 in fiscal 2010 to \$6,746,698 in fiscal 2011, while General Fund expenditures increased from \$6,025,251 in fiscal 2010 to \$6,321,346 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$717,687 in fiscal 2010 to a balance of \$1,143,039 in fiscal 2011.
- The increase in General Fund revenues was largely attributable to increased local tax and state source revenues. The increase in expenditures was relatively evenly distributed across functional areas. Revenues outpaced expenses resulting in an improved General Fund balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Riverside Community School District Annual Financial Report

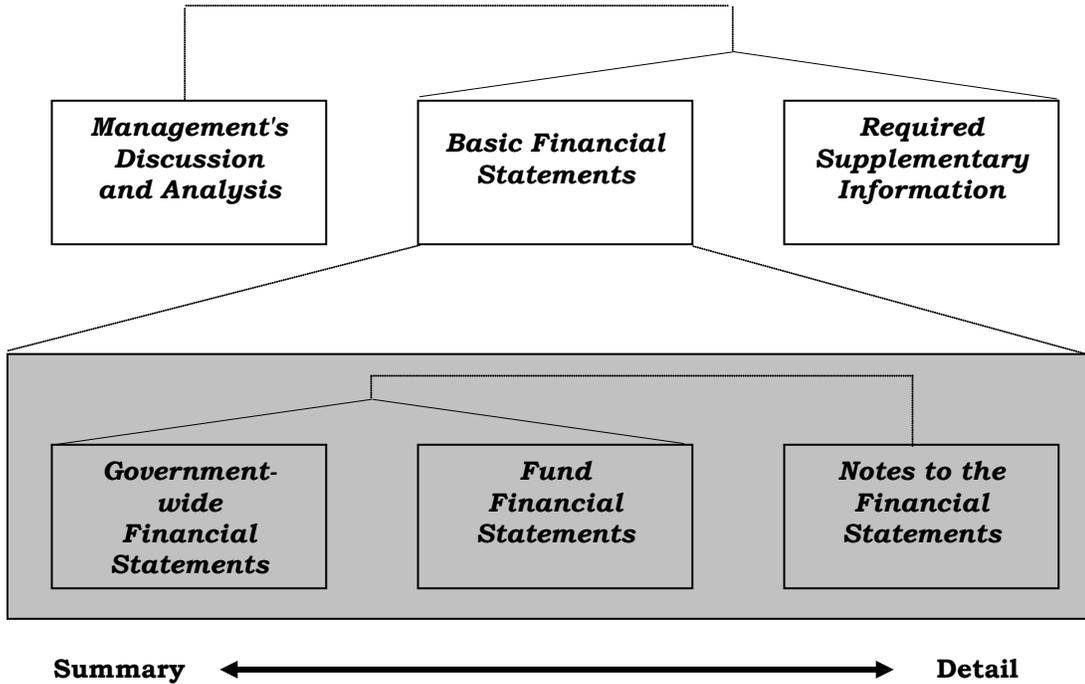


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 7,894,223	8,124,901	38,672	41,484	7,932,895	8,166,385	-2.86%
Capital assets	3,031,340	2,671,208	29,692	33,763	3,061,032	2,704,971	13.16%
Total assets	10,925,563	10,796,109	68,364	75,247	10,993,927	10,871,356	1.13%
Long-term obligations	762,857	535,548	26,659	13,531	789,516	549,079	43.79%
Other liabilities	3,639,186	3,987,557	11,765	9,951	3,650,951	3,997,508	-8.67%
Total liabilities	4,402,043	4,523,105	38,424	23,482	4,440,467	4,546,587	-2.33%
Net assets:							
Invested in capital assets, net of related debt	3,031,340	2,627,737	29,692	33,763	3,061,032	2,661,500	15.01%
Restricted	2,893,627	3,059,682	-	-	2,893,627	3,059,682	-5.43%
Unrestricted	598,553	585,585	248	18,002	598,801	603,587	-0.79%
Total net assets	\$ 6,523,520	6,273,004	29,940	51,765	6,553,460	6,324,769	3.62%

The District's combined net assets increased by 3.62%, or \$228,691, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$166,055, or 5.43% from the prior year. The decrease was primarily a result of the decrease in fund balance for the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$4,786 or 0.79%. This decrease in unrestricted net assets was primarily a result of the decline in net assets for the Day Care Fund during the year.

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

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 239,389	302,801	233,984	248,485	473,373	551,286	-14.13%
Operating grants, contributions and restricted interest	591,304	1,209,075	156,951	146,572	748,255	1,355,647	-44.80%
General revenues:							
Property tax	3,257,864	2,768,057	-	-	3,257,864	2,768,057	17.69%
Income surtax	333,703	397,282	-	-	333,703	397,282	-16.00%
Statewide sales, services and use tax	611,126	569,223	-	-	611,126	569,223	7.36%
Unrestricted state grants	2,438,829	1,786,666	-	-	2,438,829	1,786,666	36.50%
Nonspecific program federal grants	120,995	-	-	-	120,995	-	100.00%
Unrestricted investment earnings	26,955	61,672	192	249	27,147	61,921	-56.16%
Other	217,358	100,318	3,016	3,978	220,374	104,296	111.30%
Transfers	-	(8,486)	-	8,486	-	-	0.00%
Total revenues and transfers	<u>7,837,523</u>	<u>7,186,608</u>	<u>394,143</u>	<u>407,770</u>	<u>8,231,666</u>	<u>7,594,378</u>	<u>8.39%</u>
Program expenses:							
Governmental activities:							
Instruction	4,807,135	4,530,010	-	-	4,807,135	4,530,010	6.12%
Support services	2,362,877	1,928,244	610	219	2,363,487	1,928,463	22.56%
Non-instructional programs	-	-	415,358	383,209	415,358	383,209	8.39%
Other expenses	416,995	759,337	-	-	416,995	759,337	-45.08%
Total expenses	<u>7,587,007</u>	<u>7,217,591</u>	<u>415,968</u>	<u>383,428</u>	<u>8,002,975</u>	<u>7,601,019</u>	<u>5.29%</u>
Changes in net assets	250,516	(30,983)	(21,825)	24,342	228,691	(6,641)	3543.62%
Net assets beginning of year, as restated	<u>6,273,004</u>	<u>6,303,987</u>	<u>51,765</u>	<u>27,423</u>	<u>6,324,769</u>	<u>6,331,410</u>	<u>-0.10%</u>
Net assets end of year	<u>\$ 6,523,520</u>	<u>6,273,004</u>	<u>29,940</u>	<u>51,765</u>	<u>6,553,460</u>	<u>6,324,769</u>	<u>3.62%</u>

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 84.74% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.19% of the revenue from business type activities.

The District's total revenues were approximately \$8.23 million, of which approximately \$7.84 million was for governmental activities and approximately \$0.39 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 8.39% increase in revenues and a 5.29% increase in expenses. Property tax and unrestricted state grants combined increased \$1,141,970 to fund the increase in expenditures.

Governmental Activities

Revenues for governmental activities were \$7,837,523 and expenses were \$7,587,007 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 4,807,135	4,530,010	6.12%	4,256,005	3,275,476	29.94%
Support services	2,362,877	1,928,244	22.54%	2,354,725	1,928,244	22.12%
Other expenses	416,995	759,337	-45.08%	145,584	501,995	-71.00%
Totals	\$ 7,587,007	7,217,591	5.12%	6,756,314	5,705,715	18.41%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$239,389.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$591,304.
- The net cost of governmental activities was financed with \$3,257,864 in property tax, \$333,703 in income surtax, \$611,126 in statewide sales, services and use tax, \$2,438,829 in unrestricted state grants, \$120,995 in nonspecific program federal grants, \$26,955 in interest income and \$217,358 in other general revenues.

Business Type Activities

Revenues of business type activities for the year ended June 30, 2011 were \$394,143 representing a 3.34% decrease from the prior year, while expenses totaled \$415,968, an 8.49% increase from the prior year. The District's business type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,913,915, above last year's ending fund balances of \$3,805,064. The primary reason for the increase in ending fund balances could be attributable to the increases in the General Fund balance in fiscal 2011.

Governmental Fund Highlights

- The District's increase in General Fund financial position is the product of many factors. Revenue growth nearly doubled the increase in expenses. Increases in local tax and state sources of funding produced the majority of growth in revenues. The District limited total General Fund expenditures to only a moderate increase by cutting costs where possible and

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

- The Capital Projects Fund balance decreased from restated \$2,726,441 at the beginning of fiscal year 2011 to \$2,355,825 at the end of fiscal year 2011. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. Increased spending for facilities acquisitions was the main cause for the reduction in fund balance. The Statewide Sales, Services and Use Tax Fund revenues increased \$56,532 and expenses increased \$627,796 when compared to the previous year. Physical Plant and Equipment Levy Fund revenues increased \$9,625 and expenses increased \$71,118 when compared to the previous year

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$17,240 at June 30, 2010 to \$12,056 at June 30, 2011, representing a decrease of 30.07%. Increased revenue from federal sources offset the reduction in lunches sold to keep total revenues very comparable to the prior year; however, total expenses increased nearly 10% contributing to the decline in fund balance. The Day Care Fund net assets decreased from \$34,525 at June 30, 2010 to \$17,884 at June 30, 2011. Reduced revenues combined with increased expenses when compared to the prior year ensured the decline in fund balance.

BUDGETARY HIGHLIGHTS

The District's revenues were \$212,803 less than budgeted revenues, a variance of 2.52%. The most significant variance resulted from the District receiving less in state sources of revenues than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$3,061,032, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 13.16% from the prior year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$169,151.

The original cost of the District's capital assets was \$9,541,251. Governmental funds account for \$9,459,821 with the remainder of \$81,430 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land category. The District's land totaled \$10,000 at June 30, 2010, compared to \$491,505 reported at June 30, 2011. This increase was due to the acquisition of a farm during the year.

Figure A-6							
Capital Assets, Net of Depreciation							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 491,505	10,000	-	-	491,505	10,000	97.97%
Buildings	2,208,480	2,335,442	-	-	2,208,480	2,335,442	-5.75%
Land improvements	226,465	240,938	-	-	226,465	240,938	-6.39%
Machinery and equipment	104,890	84,828	29,692	33,763	134,582	118,591	11.88%
Total	\$ 3,031,340	2,671,208	29,692	33,763	3,061,032	2,704,971	13.16%

Long-Term Debt

At June 30, 2011, the District had \$789,516. in total long-term liabilities. This represents an increase of 43.79% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had a computer lease payable of \$31,130 at June 30, 2011.

The District had a laptop lease payable of \$8,971 at June 30, 2011.

The District had early retirement benefits payable of \$280,002 at June 30, 2011.

The District had compensated absences payable of \$18,343 at June 30, 2011.

The District's net OPEB liability at June 30, 2011 was \$451,070.

Figure A-7							
Outstanding Long-Term Obligations							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Computer lease	\$ 31,130	22,389	-	-	31,130	22,389	39.04%
Laptop lease	8,971	17,234	-	-	8,971	17,234	-47.95%
Instrument lease	-	3,848	-	-	-	3,848	-100.00%
Early retirement	280,002	266,320	-	-	280,002	266,320	5.14%
Compensated Absences	18,343	10,532	-	-	18,343	10,532	74.16%
Net OPEB liability	424,411	215,225	26,659	13,531	451,070	228,756	97.18%
Total	\$ 762,857	535,548	26,659	13,531	789,516	549,079	43.79%

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:

- Due to the challenging economic environment facing the District, including budget concerns at the state level, the District will be forced to continue to explore all opportunities to reduce expenditures and/or increase revenues.
- Open enrollment continues to eat into District funding as the number of resident students open enrolled out far exceeded non-resident students open enrolled in.

-
- Low allowable growth over several years and enrollment issues are negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,345,627	28,559	4,374,186
Receivables:			
Property tax:			
Delinquent	33,669	-	33,669
Succeeding year	3,011,479	-	3,011,479
Income surtax	318,144	-	318,144
Due from other governments	185,304	-	185,304
Inventories	-	10,113	10,113
Capital assets, net of accumulated depreciation	3,031,340	29,692	3,061,032
Total assets	10,925,563	68,364	10,993,927
Liabilities			
Accounts payable	21,877	1,186	23,063
Salaries and benefits payable	502,618	7,953	510,571
Interest payable	738	-	738
Deferred revenue:			
Succeeding year property tax	3,011,479	-	3,011,479
Other	102,474	-	102,474
Unearned revenue	-	2,626	2,626
Long-term liabilities:			
Portion due within one year:			
Computer lease	15,309	-	15,309
Laptop lease	8,971	-	8,971
Early retirement	69,276	-	69,276
Compensated absences	18,343	-	18,343
Portion due after one year:			
Computer lease	15,821	-	15,821
Early retirement	210,726	-	210,726
Net OPEB liability	424,411	26,659	451,070
Total liabilities	4,402,043	38,424	4,440,467
Net Assets			
Invested in capital assets, net of related debt	3,031,340	29,692	3,061,032
Restricted for:			
Categorical Funding	402,753	-	402,753
Management levy purposes	59,302	-	59,302
Student activities	75,747	-	75,747
School infrastructure	2,274,691	-	2,274,691
Physical plant and equipment	81,134	-	81,134
Unrestricted	598,553	248	598,801
Total net assets	\$ 6,523,520	29,940	6,553,460

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants, Contributions and Restricted Interest		Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,054,805	65,512	152,116	(2,837,177)	-	(2,837,177)
Special	908,707	-	74,643	(834,064)	-	(834,064)
Other	843,623	173,362	85,497	(584,764)	-	(584,764)
	<u>4,807,135</u>	<u>238,874</u>	<u>312,256</u>	<u>(4,256,005)</u>	<u>-</u>	<u>(4,256,005)</u>
Support services:						
Student	237,139	-	469	(236,670)	-	(236,670)
Instructional staff	275,053	-	-	(275,053)	-	(275,053)
Administration	855,786	-	-	(855,786)	-	(855,786)
Operation and maintenance of plant	594,727	-	7,168	(587,559)	-	(587,559)
Transportation	400,172	515	-	(399,657)	-	(399,657)
	<u>2,362,877</u>	<u>515</u>	<u>7,637</u>	<u>(2,354,725)</u>	<u>-</u>	<u>(2,354,725)</u>
Other expenditures:						
Long-term debt interest	4,149	-	-	(4,149)	-	(4,149)
AEA flowthrough	271,411	-	271,411	-	-	-
Depreciation(unallocated)*	141,435	-	-	(141,435)	-	(141,435)
	<u>416,995</u>	<u>-</u>	<u>271,411</u>	<u>(145,584)</u>	<u>-</u>	<u>(145,584)</u>
Total governmental activities	7,587,007	239,389	591,304	(6,756,314)	-	(6,756,314)
Business type activities:						
Support services:						
Administration	610	-	-	-	(610)	(610)
Non-instructional programs:						
Nutrition services	307,794	145,051	156,951	-	(5,792)	(5,792)
Day care services	107,564	88,933	-	-	(18,631)	(18,631)
	<u>415,358</u>	<u>233,984</u>	<u>156,951</u>	<u>-</u>	<u>(24,423)</u>	<u>(24,423)</u>
Total business type activities	415,968	233,984	156,951	-	(25,033)	(25,033)
Total	\$ 8,002,975	473,373	748,255	(6,756,314)	(25,033)	(6,781,347)
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,159,183	-	3,159,183
Capital outlay				98,681	-	98,681
Income surtax				333,703	-	333,703
Statewide sales, services and use tax				611,126	-	611,126
Unrestricted state grants				2,438,829	-	2,438,829
Nonspecific program federal grants				120,995	-	120,995
Unrestricted investment earnings				26,955	192	27,147
Other				217,358	3,016	220,374
Total general revenues				<u>7,006,830</u>	<u>3,208</u>	<u>7,010,038</u>
Changes in net assets				250,516	(21,825)	228,691
Net assets beginning of year				6,273,004	51,765	6,324,769
Net assets end of year				<u>\$ 6,523,520</u>	<u>29,940</u>	<u>6,553,460</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 1,634,999	2,272,275	414,637	4,321,911
Receivables:				
Property tax:				
Delinquent	30,806	1,055	1,808	33,669
Succeeding year	2,759,669	101,810	150,000	3,011,479
Income surtax	318,144	-	-	318,144
Due from other governments	96,710	88,594	-	185,304
Total assets	\$ 4,840,328	2,463,734	566,445	7,870,507
Liabilities and fund Balances				
Liabilities:				
Accounts payable	\$ 14,384	6,099	1,394	21,877
Salaries and benefits payable	502,618	-	-	502,618
Deferred revenue:				
Succeeding year property tax	2,759,669	101,810	150,000	3,011,479
Income surtax	318,144	-	-	318,144
Other	102,474	-	-	102,474
Total liabilities	<u>3,697,289</u>	<u>107,909</u>	<u>151,394</u>	<u>3,956,592</u>
Fund balances:				
Restricted for:				
Categorical Funding	402,753	-	-	402,753
Management levy purposes	-	-	339,304	339,304
Student activities	-	-	75,747	75,747
School infrastructure	-	2,274,691	-	2,274,691
Physical plant and equipment levy	-	81,134	-	81,134
Unassigned	740,286	-	-	740,286
Total fund balances	<u>1,143,039</u>	<u>2,355,825</u>	<u>415,051</u>	<u>3,913,915</u>
Total liabilities and fund balances	\$ 4,840,328	2,463,734	566,445	7,870,507

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20)	\$ 3,913,915
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	3,031,340
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(738)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	23,716
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	318,144
Long-term liabilities, including leases payable, early retirement payable, compensated absences payable, and other postemployment benenefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(762,857)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 6,523,520</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 3,304,059	709,807	175,172	4,189,038
Tuition	50,532	-	-	50,532
Other	243,479	16,727	175,464	435,670
State sources	2,826,333	-	-	2,826,333
Federal sources	322,295	-	-	322,295
Total revenues	<u>6,746,698</u>	<u>726,534</u>	<u>350,636</u>	<u>7,823,868</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,873,316	-	6,244	2,879,560
Special	801,118	-	-	801,118
Other	619,836	-	142,783	762,619
	<u>4,294,270</u>	<u>-</u>	<u>149,027</u>	<u>4,443,297</u>
Support services:				
Student	167,636	-	-	167,636
Instructional staff	171,644	50,732	-	222,376
Administration	672,780	-	75,540	748,320
Operation and maintenance of plant	405,521	42,157	71,954	519,632
Transportation	338,084	-	-	338,084
	<u>1,755,665</u>	<u>92,889</u>	<u>147,494</u>	<u>1,996,048</u>
Other expenditures:				
Facilities acquisitions	-	996,251	-	996,251
Long-term debt:				
Principal	-	-	49,312	49,312
Interest and fiscal charges	-	-	4,640	4,640
AEA flowthrough	271,411	-	-	271,411
	<u>271,411</u>	<u>996,251</u>	<u>53,952</u>	<u>1,321,614</u>
Total expenditures	<u>6,321,346</u>	<u>1,089,140</u>	<u>350,473</u>	<u>7,760,959</u>
Excess(deficiency)of revenues over(under) expenditures	425,352	(362,606)	163	62,909
Other financing sources(uses):				
Transfers in	-	-	53,952	53,952
Transfers out	-	(53,952)	-	(53,952)
Proceeds from lease	-	45,942	-	45,942
Total other financing sources(uses)	<u>-</u>	<u>(8,010)</u>	<u>53,952</u>	<u>45,942</u>
Net change in fund balances	425,352	(370,616)	54,115	108,851
Fund balances beginning of year, as restated	717,687	2,726,441	360,936	3,805,064
Fund balances end of year	<u>\$ 1,143,039</u>	<u>2,355,825</u>	<u>415,051</u>	<u>3,913,915</u>

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ 108,851

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

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

Capital expenditures	\$ 525,212	
Depreciation expense	(165,080)	360,132
	<u> </u>	

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(45,942)	
Repaid	49,312	3,370
	<u> </u>	

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

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

13,655

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

Compensated absences	(7,811)	
Early retirement	(13,682)	
Other postemployment benefits	(209,186)	(230,679)
	<u> </u>	

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

(5,304)

Changes in net assets of governmental activities(page 19) \$ 250,516

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Buisness Type			Governmental Activities: Internal Service Fund
	Activities:		Total Nonmajor Enterprise Funds	
	Nonmajor			
	Enterprise Funds	Day Care		
	School Nutrition			
Assets				
Cash and cash equivalents	\$ -	31,745	31,745	23,716
Inventories	10,113	-	10,113	-
Capital assets, net of accumulated depreciation	29,692	-	29,692	-
Total assets	39,805	31,745	71,550	23,716
Liabilities				
Excess warrants over bank balance	3,186	-	3,186	-
Accounts payable	-	1,186	1,186	-
Salaries and benefits payable	1,819	6,134	7,953	-
Unearned revenues	2,626	-	2,626	-
Net OPEB liability	20,118	6,541	26,659	-
Total liabilities	27,749	13,861	41,610	-
Net Assets				
Invested in capital assets	29,692	-	29,692	-
Unrestricted	(17,636)	17,884	248	23,716
Total net assets	\$ 12,056	17,884	29,940	23,716

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business Type			Governmental Activities: Internal Service Fund
	Activities:		Total Nonmajor Enterprise Funds	
	Nonmajor			
	Enterprise Funds	Day Care		
School Nutrition	Day Care	Enterprise Funds	-	
Operating revenues:				
Local sources:				
Charges for services	\$ 145,051	88,933	233,984	13,276
Miscellaneous	1,216	1,800	3,016	-
Total operating revenues	<u>146,267</u>	<u>90,733</u>	<u>237,000</u>	<u>13,276</u>
Operating expenses:				
Support services:				
Administration				
Services	-	-	-	18,580
Operation and maintenance of plant:				
Services	610	-	610	-
	<u>610</u>	<u>-</u>	<u>610</u>	<u>18,580</u>
Non-instructional programs:				
Food service operations:				
Salaries	123,899	-	123,899	-
Benefits	55,015	-	55,015	-
Services	623	-	623	-
Supplies	123,810	-	123,810	-
Depreciation	4,071	-	4,071	-
Other	376	-	376	-
	<u>307,794</u>	<u>-</u>	<u>307,794</u>	<u>-</u>
Community service operations:				
Salaries	-	80,662	80,662	-
Benefits	-	21,323	21,323	-
Services	-	88	88	-
Supplies	-	4,046	4,046	-
Other	-	1,445	1,445	-
	<u>-</u>	<u>107,564</u>	<u>107,564</u>	<u>-</u>
Total operating expenses	<u>308,404</u>	<u>107,564</u>	<u>415,968</u>	<u>18,580</u>
Operating loss	<u>(162,137)</u>	<u>(16,831)</u>	<u>(178,968)</u>	<u>(5,304)</u>
Non-operating revenues:				
Interest income	2	190	192	-
State sources	2,915	-	2,915	-
Federal sources	154,036	-	154,036	-
Total non-operating revenues	<u>156,953</u>	<u>190</u>	<u>157,143</u>	<u>-</u>
Change in net assets	(5,184)	(16,641)	(21,825)	(5,304)
Net assets at beginning of year	<u>17,240</u>	<u>34,525</u>	<u>51,765</u>	<u>29,020</u>
Net assets end of year	<u>\$ 12,056</u>	<u>17,884</u>	<u>29,940</u>	<u>23,716</u>

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business Type Activities:			Governmental
	Non Major			Activities:
	Enterprise Funds			Internal
	School	Day	Total	Service
	Nutrition	Care		Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 143,953	-	143,953	-
Cash received from miscellaneous operating activities	1,216	90,733	91,949	13,276
Cash payments to employees for services	(167,792)	(98,253)	(266,045)	-
Cash payments to suppliers for goods or services	(104,477)	(4,393)	(108,870)	(18,580)
Net cash used in operating activities	(127,100)	(11,913)	(139,013)	(5,304)
Cash flows from non-capital financing activities:				
State grants received	2,915	-	2,915	-
Federal grants received	139,169	-	139,169	-
Net cash provided by non-capital financing activities	142,084	-	142,084	-
Cash flows from investing activities:				
Interest on investments	2	190	192	-
Net increase(decrease) in cash and cash equivalents	14,986	(11,723)	3,263	(5,304)
Cash and cash equivalents at beginning of year	(18,172)	43,468	25,296	29,020
Cash and cash equivalents at end of year	\$ (3,186)	31,745	28,559	23,716
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (162,137)	(16,831)	(178,968)	(5,304)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	14,867	-	14,867	-
Depreciation	4,071	-	4,071	-
Decrease in inventories	6,075	-	6,075	-
Increase in accounts payable	-	1,186	1,186	-
Increase in salaries and benefits payable	1,200	526	1,726	-
Increase in net OPEB liability	9,922	3,206	13,128	-
Decrease in unearned revenue	(1,098)	-	(1,098)	-
Net cash used in operating activities	\$ (127,100)	(11,913)	(139,013)	(5,304)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received \$14,867 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2011

	Private Purpose Trust Scholarship
Assets	
Cash and pooled investments	\$ 74,921
Total assets	<u>74,921</u>
Liabilities	<u>-</u>
Net Assets	
Restricted for scholarships	<u>\$ 74,921</u>

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest income	\$ 8,695
Deductions:	
Support services:	
Administration	315
Change in net assets	8,380
Net assets beginning of year	66,541
Net assets end of year	\$ 74,921

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects 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 receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund 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.

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

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

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

recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, machinery and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 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's investments are categorized to give an indication of the level of risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured and are held by the district in the District's name. Certificates of deposit are stated at fair value.

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

(3) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 53,952</u>

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

(4) **Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	481,505	-	491,505
Total capital assets not being depreciated	10,000	481,505	-	491,505
Capital assets being depreciated:				
Buildings	7,505,361	-	-	7,505,361
Land improvements	289,437	-	-	289,437
Machinery and equipment	1,129,811	43,707	-	1,173,518
Total capital assets being depreciated	8,924,609	43,707	-	8,968,316
Less accumulated depreciation for:				
Buildings	5,169,919	126,962	-	5,296,881
Land improvements	48,499	14,473	-	62,972
Machinery and equipment	1,044,983	23,645	-	1,068,628
Total accumulated depreciation	6,263,401	165,080	-	6,428,481
Total capital assets being depreciated, net	2,661,208	(121,373)	-	2,539,835
Governmental activities capital assets, net	\$ 2,671,208	360,132	-	3,031,340
Business type activities:				
Machinery and equipment	\$ 81,430	-	-	81,430
Less accumulated depreciation	47,667	4,071	-	51,738
Business type activities capital assets, net	\$ 33,763	(4,071)	-	29,692

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 3,225
Other		1,020
Support services:		
Transportation		19,400
		<u>23,645</u>
Unallocated depreciation		<u>141,435</u>
Total governmental activities depreciation expense		<u>\$ 165,080</u>
Business type activities:		
Food service operations		<u>\$ 4,071</u>

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Computer lease	\$ 22,389	45,942	37,201	31,130	15,309
Laptop lease	17,234	-	8,263	8,971	8,971
Instrument lease	3,848	-	3,848	-	-
Early Retirement	266,320	87,958	74,276	280,002	69,276
Compensated absences	10,532	18,343	10,532	18,343	18,343
Net OPEB liability	215,225	209,186	-	424,411	-
Total	\$ 535,548	361,429	134,120	762,857	111,899
Business type activities:					
Net OPEB liability	\$ 13,531	13,128	-	26,659	-

Computer Lease

During the year ended June 30, 2011, the District entered into a computer lease agreement. The lease bears an annual interest rate of 3.35% and is payable from the Capital Projects Fund. Details of the District's indebtedness under the lease agreement as of June 30, 2011 is as follows:

Year Ending June 30,	Computer lease issued September 23, 2010			
	Interest Rate	Principal	Interest	Total
2012	3.35 %	\$ 15,309	1,042	16,351
2013	3.35	15,821	530	16,351
Total		\$ 31,130	1,572	32,702

Laptop Lease

During the year ended June 30, 2010, the District entered into a laptop lease agreement. The lease bears an annual interest rate of 10.02% and is payable from the Capital Projects Fund. Details of the District's indebtedness under the lease agreement as of June 30, 2011 is as follows:

Year Ending June 30,	Laptop lease issued July 16, 2009			
	Interest Rate	Principal	Interest	Total
2012	10.02 %	\$ 8,971	941	9,912

Early Retirement

The District offered a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-seven and must have completed ten years of continuous

service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives paid by the District include the premiums for a single health insurance coverage policy. The District paid out \$74,276 in benefits during the year and had a balance of \$280,002 at June 30, 2011.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$249,254, \$240,328 and \$236,604 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits(OPEB)

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

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/vision benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 337,727
Interest on net OPEB obligation	5,719
Adjustment to annual required contribution	(28,991)
Annual OPEB cost	<u>314,455</u>
Contributions made	(92,141)
Increases in net OPEB obligation	<u>222,314</u>
Net OPEB obligation beginning of year	<u>228,756</u>
 Net OPEB obligation end of year	 <u><u>\$ 451,070</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$92,141 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2010	\$ 313,150	26.95%	\$ 228,756
2011	314,455	29.30%	451,070

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 \$2,732,588, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,732,588. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,471,585 and the ratio of the UAAL to covered payroll was 78.71%. 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

(8) Risk Management

The District is a member in the Iowa Star Schools Employees Benefits Health Plan, an Iowa Code Chapter 28E organization. Iowa Star Schools is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. Iowa Star Schools was set up for the purpose of managing and funding employee benefits. Iowa Star Schools provides coverage and protection in the following categories: medical. District contributions to Iowa Star for the year ended June 30, 2011 were \$75,540.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$271,411 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.

(10) Deficit Unrestricted Net Assets

The District has a deficit unrestricted net assets balance in the Enterprise School Nutrition Fund of \$17,636.

(11) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Limited English Proficient	\$ 15,798
Home School Assistance Program	1,141
Gifted and Talented Programs	31,825
Returning Dropouts and Dropout Prevention Programs	236,096
Teacher Salary Supplement	34,537
Beginning Administrator Mentoring and Induction Programs	1,420
Statewide Voluntary Preschool Program	8,765
Professional Development for Model Core Curriculum	30,268
Professional Development	42,903
	<hr/>
Total	\$ 402,753

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassification is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously stated	\$ 2,632,658	93,783
Change in fund type classification per implementation of GASB Statement No. 54	93,783	(93,783)
	<hr/>	<hr/>
Balances July 1, 2010, as restated	\$ 2,726,441	-

RIVERSIDE

CARSON-MACEDONIA-OAKLAND

REQUIRED SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF
 REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,675,240	237,192	4,912,432	4,951,391	4,951,391	(38,959)
Intermediate sources	-	-	-	87,500	87,500	(87,500)
State sources	2,826,333	2,915	2,829,248	3,044,923	3,044,923	(215,675)
Federal sources	322,295	154,036	476,331	347,000	347,000	129,331
Total revenues	<u>7,823,868</u>	<u>394,143</u>	<u>8,218,011</u>	<u>8,430,814</u>	<u>8,430,814</u>	<u>(212,803)</u>
Expenditures/Expenses:						
Instruction	4,443,297	-	4,443,297	4,997,421	4,997,421	554,124
Support services	1,996,048	610	1,996,658	2,138,441	2,138,441	141,783
Non-instructional programs	-	415,358	415,358	440,500	440,500	25,142
Other expenditures	1,321,614	-	1,321,614	3,320,078	3,320,078	1,998,464
Total expenditures/expenses	<u>7,760,959</u>	<u>415,968</u>	<u>8,176,927</u>	<u>10,896,440</u>	<u>10,896,440</u>	<u>2,719,513</u>
Excess(deficiency) of revenues over(under)expenditures/expenses	62,909	(21,825)	41,084	(2,465,626)	(2,465,626)	2,506,710
Other financing sources, net	45,942	-	45,942	-	-	45,942
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	108,851	(21,825)	87,026	(2,465,626)	(2,465,626)	2,552,652
Balances beginning of year	3,805,064	51,765	3,856,829	4,045,406	4,045,406	(188,577)
Balances end of year	<u>\$ 3,913,915</u>	<u>29,940</u>	<u>3,943,855</u>	<u>1,579,780</u>	<u>1,579,780</u>	<u>2,364,075</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 2,827,303	2,827,303	0.00%	\$ 3,162,799	89.39%
2011	July 1, 2009	-	2,732,588	2,732,588	0.00%	3,471,585	78.71%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 337,496	77,141	414,637
Receivables:			
Property tax:			
Delinquent	1,808	-	1,808
Succeeding year	150,000	-	150,000
Total assets	\$ 489,304	77,141	566,445
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	1,394	1,394
Deferred revenue:			
Succeeding year property tax	150,000	-	150,000
Total liabilities	150,000	1,394	151,394
Fund balances:			
Restricted for:			
Management levy purposes	339,304	-	339,304
Student activities	-	75,747	75,747
Total fund balances	339,304	75,747	415,051
Total liabilities and fund balances	\$ 489,304	77,141	566,445

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total Nonmajor
Revenues:					
Local sources:					
Local tax	\$ 175,172	-	175,172	-	175,172
Other	2,102	173,362	175,464	-	175,464
Total revenues	177,274	173,362	350,636	-	350,636
Expenditures:					
Current:					
Instruction:					
Regular	6,244	-	6,244	-	6,244
Other	-	142,783	142,783	-	142,783
Support services:					
Administration	75,540	-	75,540	-	75,540
Operation and maintenance of plant	71,954	-	71,954	-	71,954
Other expenditures:					
Long-term debt:					
Principal	-	-	-	49,312	49,312
Interest and fiscal charges	-	-	-	4,640	4,640
Total expenditures	153,738	142,783	296,521	53,952	350,473
Excess(deficiency) of revenues over(under) expenditures	23,536	30,579	54,115	(53,952)	163
Other financing sources:					
Transfers in	-	-	-	53,952	53,952
Excess(deficiency)of revenues and other other financing sources over(under) expenditures	23,536	30,579	54,115	-	54,115
Fund balances beginning of year, as restated	315,768	45,168	360,936	-	360,936
Fund balances end of year	\$ 339,304	75,747	415,051	-	415,051

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 2,187,921	84,354	2,272,275
Receivables:			
Property tax:			
Delinquent	-	1,055	1,055
Succeeding year	-	101,810	101,810
Due from other governments	88,594	-	88,594
Total assets	\$ 2,276,515	187,219	2,463,734
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,824	4,275	6,099
Deferred revenue:			
Succeeding year property tax	-	101,810	101,810
Total liabilities	1,824	106,085	107,909
Fund balances:			
Restricted for:			
School infrastructure	2,274,691	-	2,274,691
Physical plant and equipment	-	81,134	81,134
Total fund balances	2,274,691	81,134	2,355,825
Total liabilities and fund balances	\$ 2,276,515	187,219	2,463,734

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 611,126	98,681	709,807
Other	16,361	366	16,727
Total revenues	<u>627,487</u>	<u>99,047</u>	<u>726,534</u>
Expenditures:			
Support Services:			
Instructional staff	45,942	4,790	50,732
Operation and maintenance of plant	33,962	8,195	42,157
Other expenditures:			
Facilities acquisitions	897,540	98,711	996,251
Total expenditures	<u>977,444</u>	<u>111,696</u>	<u>1,089,140</u>
Deficiency of revenues under expenditures	(349,957)	(12,649)	(362,606)
Other financing sources(uses):			
Transfers out	(53,952)	-	(53,952)
Proceeds from lease	45,942	-	45,942
Total other financing sources(uses)	<u>(8,010)</u>	<u>-</u>	<u>(8,010)</u>
Net change in fund balances	(357,967)	(12,649)	(370,616)
Fund balances beginning year, as restated	<u>2,632,658</u>	<u>93,783</u>	<u>2,726,441</u>
Fund balances end of year	<u>\$ 2,274,691</u>	<u>81,134</u>	<u>2,355,825</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Spring play	\$ 54	4	-	58
Speech	(430)	599	169	-
Vocal	497	10,121	6,636	3,982
Musical	1,438	747	646	1,539
MS vocal festival	198	14	-	212
6th grade opera	29	-	-	29
Band	7,966	645	-	8,611
JH band festival	584	36	-	620
Cross country	92	1,646	1,619	119
Basketball camp	274	7,439	7,119	594
Football camp	119	6,399	5,699	819
Baseball camp	758	92	-	850
Girls basketball camp	3	425	-	428
Volleyball camp	1,827	499	55	2,271
Softball clinic	2,116	122	1,727	511
Athletics	(20,562)	76,972	52,734	3,676
5th Grade Project	-	212	-	212
Dance Team	3,241	2,645	2,559	3,327
FFA	5,741	5,507	4,249	6,999
US West-Rold	20	-	-	20
1st grade-US West	418	26	-	444
MS student activities	3,184	13,704	13,303	3,585
Middle school library	534	2,017	2,302	249
FCCLA	429	6,002	4,996	1,435
ITAG grant	65	3	-	68
Annual	1,443	6,218	6,462	1,199
Football cheerleaders	1,670	2,255	1,632	2,293
Robotics club	-	159	-	159
DC trip	3,072	186	-	3,258
Student needs(civic donations)	5,430	229	5,639	20
MS student council	2,724	2,407	1,172	3,959
Library	241	14	-	255
North book fair	6,535	7,243	7,947	5,831
Preschool snack	228	1,378	1,294	312
National honor society	226	290	486	30
R club	698	255	137	816
Pep club	2,833	867	1,653	2,047
HS recognition area	657	40	270	427
Special ed. Needs(Putnam classroom)	247	295	-	542
HS student council	2,589	831	926	2,494
Wrestling cheerleader	(657)	1,309	407	245
PC TAG camp	(634)	634	-	-
Jump rope for heart	934	56	-	990
Art club	248	15	-	263
Cheerleaders/BB	212	396	349	259
Outdoor classroom	128	-	-	128
Science club	723	1,875	1,165	1,433
Class of 2009	2,678	162	-	2,840
Class of 2010	147	9	-	156
Class of 2011	2,498	223	1,942	779
Class of 2012	963	8,197	7,489	1,671
Class of 2013	740	1,076	-	1,816
Class of 2014	-	867	-	867
Total	\$ 45,168	173,362	142,783	75,747

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund				
	Vickie Diane Lester Trust	Gilpin Scholarship	Knights of Columbus	Other Scholarships	Total
Assets					
Cash and pooled investments	\$ 57,386	10,042	114	7,379	74,921
Total assets	<u>57,386</u>	<u>10,042</u>	<u>114</u>	<u>7,379</u>	<u>74,921</u>
Liabilities	-	-	-	-	-
Net Assets					
Restricted for scholarships	\$ 57,386	10,042	114	7,379	74,921

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund				Total
	Vickie Diane Lester Trust	Gilpin Scholarship	Knights of Columbus	Other Scholarships	
Additions:					
Local sources:					
Interest income	\$ 7,663	31	15	986	8,695
Deductions:					
Support services:					
Administration	277	-	1	37	315
Changes in net assets	7,386	31	14	949	8,380
Net assets beginning of year	50,000	10,011	100	6,430	66,541
Net assets end of year	\$ 57,386	10,042	114	7,379	74,921

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2011	2010	2009	2008	2007	2006	2005
Revenues:							
Local sources:							
Local tax	\$ 4,189,038	3,726,105	3,612,576	3,113,882	3,063,277	2,892,498	2,729,667
Tuition	50,532	122,083	154,795	169,227	113,999	110,783	113,448
Other	435,670	381,963	420,374	492,777	452,204	424,954	296,157
Intermediate sources	-	-	-	15,229	-	-	-
State sources	2,826,333	2,465,780	2,963,000	2,911,515	2,920,328	2,822,573	2,990,315
Federal sources	322,295	490,706	189,645	131,020	144,653	152,721	143,921
Total	\$ 7,823,868	7,186,637	7,340,390	6,833,650	6,694,461	6,403,529	6,273,508
Expenditures:							
Instruction:							
Regular	\$ 2,879,560	2,888,195	3,109,105	2,694,951	2,381,372	2,380,366	2,545,428
Special	801,118	878,157	865,248	835,938	803,953	830,959	883,740
Other	762,619	583,512	415,539	820,609	831,456	809,845	622,189
Support services:							
Student	167,636	132,161	188,921	189,734	180,071	184,844	190,846
Instructional staff	222,376	96,237	119,850	120,140	134,178	144,133	63,720
Administration	748,320	706,836	582,390	612,617	621,653	598,364	586,972
Operation and maintenance of plant	519,632	566,148	544,026	566,046	534,428	472,249	442,387
Transportation	338,084	268,413	251,994	295,056	438,144	360,060	271,719
Non-instructional programs:							
Food service operations	-	-	-	-	-	-	10,997
Other expenditures:							
Facilities acquisitions	996,251	401,482	234,265	382,908	365,101	484,305	115,785
Long-term debt:							
Principal	49,312	21,181	82,342	57,838	-	-	-
Interest	4,640	2,485	2,639	3,477	-	-	-
AEA flow-through	271,411	257,342	236,389	214,810	209,591	199,163	199,961
Total	\$ 7,760,959	6,802,149	6,632,708	6,794,124	6,499,947	6,464,288	5,933,744

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

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

To the Board of Education of
Riverside Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Riverside Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 22, 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 Riverside Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Riverside Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Riverside Community School District's internal control over financial reporting.

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

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

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items I-C-11 and I-D-11 to be significant deficiencies.

Compliance and Other Matters

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

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.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2012

RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - The District, where possible, will create the necessary controls meet this suggestion.

Conclusion - Response accepted.

I-B-11 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. The District's records required numerous end of year adjustments. There were no end of year adjustments made to the Nutrition Fund to convert the financial statements to GAAP basis.

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

Response - Training schedules from our software provider will be reviewed and appropriate training will be completed.

Conclusion - Response accepted.

I-C-11 Grants - We noted during our audit, that when expenditures for specific projects were posted, expenses were not always properly posted to those projects.

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

Response - Additional attention will be given to this area.

Conclusion - Response accepted.

I-D-11 Commodity Pricing - We noted during our audit of the Enterprise, School Nutrition Fund that the District did not price out the commodity inventory using the correct values at the end of the year.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation. The District needs to use the correct price values in calculating the inventory value at year end.

Response - The Food Service department will be monitored more closely and instructed on the correct pricing.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - District expenditures for the year ended June 30, 2011 did not exceed the certified budget amounts in any functional area.

II-B-11 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rhonda Crumley, Paraeducator Owns M&R Mowing	Lawn Services	\$9,800
Dan Ives, Board Member Coach	Coaching	\$2,500
Phil Reid, Board Member Coach	Coaching	\$1,818

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

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

II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-11 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were certified was overstated by 0.2 students.

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

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

Conclusion - Response accepted.

II-H-11 Supplemental Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-11 Deposits and Investments - The District's investment policy does appear to comply with Chapter 12B and Chapter 12C of the Code of Iowa, however, we noted during our audit that the District owns Principal Financial stock. This would be non-compliant with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa, as well as the District's investment policy.

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

Response - To date the district has not been able to secure the necessary paperwork to sell the stock. We are committed to disposing of the shares.

Conclusion - Response accepted.

II-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement funds.

II-L-11 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.3 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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit.

Beginning Balance		\$ 2,632,658
Revenues:		
Sales tax revenue	\$ 611,126	
Other local revenues	16,361	
Computer lease proceeds	45,942	673,429
		<u>3,306,087</u>
Expenditures/transfers out:		
Land purchased	485,805	
Equipment	301,386	
Other	190,253	
Transfers to other funds:		
Debt service fund	53,952	1,031,396
		<u>1,031,396</u>
Ending balance		<u><u>\$ 2,274,691</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.

II-M-11 Deficit Balances - The District had deficit unrestricted assets in the Enterprise, School Nutrition Fund of \$17,636.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficits.

Response - This fund is reviewed monthly, and we are looking for alternatives to decrease this deficit.

Conclusion - Response accepted.