

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of River Valley Community School District, Correctionville, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of River Valley Community School District at June 30, 2012, 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 January 28, 2013, on our consideration of River Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the

required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise River Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011, (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

January 28, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

River Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2011-2012 %
	Governmental Activities		Business-type Activities		Total School District		
	2011	2012	2011	2012	2011	2012	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,309,339	4,682,231	54,431	67,700	4,363,770	4,749,931	9
Capital assets	6,729,811	6,551,947	21,596	22,277	6,751,407	6,574,224	-3
Total assets	11,039,150	11,234,178	76,027	89,977	11,115,177	11,324,155	2
Long-term liabilities	2,902,071	2,786,328	677	1,045	2,902,748	2,787,373	-4
Other liabilities	2,693,816	2,835,966	4,129	6,037	2,697,945	2,842,003	5
Total liabilities	5,595,887	5,622,294	4,806	7,082	5,600,693	5,629,376	1
Net Assets:							
Invested in capital assets, net of related debt	3,894,811	4,021,947	21,596	22,277	3,916,407	4,044,224	3
Restricted	768,147	834,138			768,147	834,138	9
Unrestricted	780,305	755,799	49,625	60,618	829,930	816,417	-2
TOTAL NET ASSETS	5,443,263	5,611,884	71,221	82,895	5,514,484	5,694,779	3

The District's combined total net assets increased by nearly 4%, or approximately \$180,295, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$65,991 or 9% over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects 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 approximately \$24,506, or 2%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2012 and 2011.

Figure A-4

	Change in Net Assets						Percentage Change 2011-2012 %
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	
Revenues							
Program Revenues:							
Charges for services	419,311	427,897	104,144	117,820	523,455	545,717	4
Operating grants & contributions	935,051	761,432	143,399	145,709	1,078,450	907,141	-16
Capital grants & contributions	16,135	18,764			16,135	18,764	16
General Revenues:							
Property taxes	2,067,222	2,190,965			2,067,222	2,190,965	6
Income surtax	204,441	176,229			204,441	176,229	-14
Sales tax	336,301	352,200			336,301	352,200	5
Unrestricted state grants	1,545,530	1,560,061			1,545,530	1,560,061	1
Unrestricted investment earnings	7,142	1,829	111	421	7,253	2,250	-69
Other revenue	11,523	6,812			11,523	6,812	-41
Total Revenues	5,542,656	5,496,189	247,654	263,950	5,790,310	5,760,139	-1
Expenses:							
Instruction	3,047,445	3,331,714			3,047,445	3,331,714	9
Support services	1,429,824	1,464,748			1,429,824	1,464,748	2
Non-instructional programs		1,207	229,105	252,276	229,105	253,483	11
Other expenditures	633,707	529,899			633,707	529,899	-16
Total expenses	5,110,976	5,327,568	229,105	252,276	5,340,081	5,579,844	4
Change in net assets before transfers	431,680	168,621	18,549	11,674	450,229	180,295	
Transfers	26,897	-	-26,897	-	-	-	
CHANGE IN NET ASSETS	458,577	168,621	-8,348	11,674	450,229	180,295	
Net assets beginning of year	4,984,686	5,443,263	79,569	71,221	5,064,225	5,514,484	9
Net assets end of year	5,443,263	5,611,884	71,221	82,895	5,514,484	5,694,779	3

In fiscal year 2012 property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 1.0% decrease in revenues and a 4% increase in expenses. The increases in expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$5,496,189 and expenses were \$5,327,568. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

Business Type Activities

Revenues for business type activities were \$263,950 and expenses were \$252,276. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2012, the District increased meal prices per state lunch guidelines and also offered a summer breakfast/lunch program thus showing an increase in revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,621,686, well above last year's ending fund balances of \$1,376,222. However, the primary reason for the increase in combined fund balances in fiscal 2012 is due to an increase in Capital Projects fund balance of \$191,279.

Governmental Fund Highlights

- The General Fund balance increased from \$765,411 to \$783,732. The District experienced a decrease in revenue but was able to control spending, with substantial savings in support services, to offset the decrease and increase our fund balance by \$18,312.
- The Capital Projects Fund balance increased due to decrease in expenditures. The District ended the 2012 year with an increase in fund balance of \$191,279. The District did not taken on any substantial projects during 2011-2012 fiscal year.
- The Debt Service Fund balance increased by \$6,800 during fiscal year 2012. The District issued \$2,530,000 of refunding bonds during the year to refinance \$2,480,000 of previously issued debt. This refinancing will save the District \$225,000 of interest.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$71,221 at June 30, 2011 to \$82,895 at June 30, 2012, representing an increase of approximately 16%. For fiscal 2012, the District increased meal prices, resulting in the increase in net assets. The District also offered a summer breakfast/lunch program. This change resulted in an increase in meals served and a related increase in revenue and net assets.

BUDGETARY HIGHLIGHTS

The District's receipts were \$359,874 less than budgeted receipts. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in other expenditures functional areas due to the timing of disbursements paid at year-end and the refinancing of general obligation bonds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$6.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of -3% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$298,199.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2011	2012	2011	2012	2011	2012	2011-2012
	\$	\$	\$	\$	\$	\$	%
Land	19,689	19,689			19,689	19,689	-
Construction in progress	5,226	-	-	-	5,226	-	-100
Buildings	5,985,166	5,844,564	-	-	5,985,166	5,844,564	-2
Improvements	285,455	259,253	-	-	285,455	259,253	-9
Equipment & furniture	434,275	428,441	21,596	22,277	455,871	450,718	-1
TOTAL	6,729,811	6,551,947	21,596	22,277	6,751,407	6,574,224	-3

Long-Term Debt

At June 30, 2012 the District had \$2,755,811 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 4% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a bond rating of A+ assigned by national rating agencies to the District's debt since 2012.

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

In 2011-2012, the District refinanced its General obligation bonds in the amount of \$2,530,000 with a savings to the district of approximately \$225,000.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2011	2012	2011-2012
	\$	\$	%
General obligation bonds	2,835,000	2,530,000	-11
Early retirement	0	180,000	0
Compensated absences	1,812	874	-52
Net OPEB liability	29,113	44,937	54
	<u>2,865,925</u>	<u>2,755,811</u>	<u>-4</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's October 2012 enrollment decreased by .8 students which is encouraging for the district as the 2011-12 school year showed a decrease of 20.5 students.
- The District received \$36,594 in onetime funding modified allowable growth as a result of increase open enroll out students not included in prior years certified enrollment. The ratio of open enroll in students vs. open enroll out students is a serious concern to the district.
- The District was able to "hold its own" for the 2011-2012 funding years as revenues exceeded expenditures by \$18,321. In addition total transportation cost was lowered by \$154,261. The savings comes from less cost for fuels than previous year and not purchasing a bus out of the general fund. Past practice has seen the district's financial outlook allow for the purchase of busses out of the general fund, but with budgetary restraints the district is no longer in a position to continue with this practice. Vehicles will be purchased out of the PPEL or Capital Projects Funds.
- Patrons of the District were asked to vote on a Revenue Purpose Statement which would allow the District more flexibility in language where expenditures are involved. The Statement was overwhelmingly approved by the patrons of the district.
- The District once again refinanced their General Obligation School Refunding Bonds in the amount of \$2,530,000. With low interest rates available we were able to show a savings to the taxpayers of approximately \$225,000.
- The fiscal year 2011-2012 was, to the River Valley School District, a year of great change to staff and administration. The District received request for five teachers early retirements, one elementary principal request for early retirement, leave of absence relating to terminal illness of the Board Secretary/Superintendent Secretary and one superintendent resignation due to retirement. The District will be able to see a savings of \$168,368 on salary and benefits effective for the 2012-2013 fiscal year. This will be helpful as we will see reduced state aid funding in the amount of \$123,205 due to the loss of 20.5 students in the 2011-12 certified enrollment.
- Fiscal year 2013 is the first year of a two-year contract with the River Valley Community Schools Education Association. The negotiated agreement called for a 3.74% increase for fiscal year 2013 and a 3.74% increase for fiscal year 2014. Settlement in excess of "new money" or allowable growth in state unding will have an adverse effect on the District's General Fund budget and related fund balance.
- The District continues to be proactive in relations to technology with the purchase of 11 smart boards for interactive learning with students at the cost of \$12,412.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,915,957	61,879	1,977,836
Receivables:			
Property tax:			
Delinquent	46,716	-	46,716
Succeeding year	2,334,428	-	2,334,428
Accounts	1,167	-	1,167
Accrued interest	16	-	16
Due from other governments	350,901	-	350,901
Inventories	-	5,821	5,821
Unamortized bond issue costs	33,046	-	33,046
Capital assets, net of accumulated depreciation	6,551,947	22,277	6,574,224
Total assets	11,234,178	89,977	11,324,155
Liabilities			
Accounts payable	140,320	2,453	142,773
Salaries and benefits payable	358,966	788	359,754
Accrued interest payable	2,252	-	2,252
Deferred revenue:			
Succeeding year property tax	2,334,428	-	2,334,428
Other	-	2,796	2,796
Long-term liabilities:			
Unamortized bond premium	31,562	-	31,562
Portion due within one year:			
General obligation bonds payable	415,000	-	415,000
Termination benefits	180,000	-	180,000
Compensated absences	874	-	874
Portion due after one year:			
General obligation bonds payable	2,115,000	-	2,115,000
Net OPEB liability	43,892	1,045	44,937
Total liabilities	5,622,294	7,082	5,629,376
Net assets			
Invested in capital assets, net of related debt	4,021,947	22,277	4,044,224
Restricted for:			
Categorical funding	178,436	-	178,436
Management levy	99,825	-	99,825
Physical plant and equipment levy	45,246	-	45,246
Student activities	46,742	-	46,742
School infrastructure	447,196	-	447,196
Debt service	16,693	-	16,693
Unrestricted	755,799	60,618	816,417
Total net assets	5,611,884	82,895	5,694,779

RIVER VALLY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,341,439	262,550	481,965	-
Special	473,685	75,572	23,950	-
Other	516,590	89,775	91,401	-
	<u>3,331,714</u>	<u>427,897</u>	<u>597,316</u>	<u>-</u>
Support services:				
Student	88,300	-	-	-
Instructional staff	118,778	-	-	-
Administration	594,801	-	-	-
Operation and maintenance of plant	374,222	-	-	-
Transportation	288,647	-	-	-
	<u>1,464,748</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>1,207</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	82,116	-	-	18,764
Long-term debt interest	100,941	-	57	-
AEA flowthrough	164,059	-	164,059	-
Depreciation (unallocated)*	182,783	-	-	-
	<u>529,899</u>	<u>-</u>	<u>164,116</u>	<u>18,764</u>
Total governmental activities	<u>5,327,568</u>	<u>427,897</u>	<u>761,432</u>	<u>18,764</u>
Business type activities:				
Non-instructional programs:				
Food service operations	252,276	117,820	145,709	-
Total	<u>5,579,844</u>	<u>545,717</u>	<u>907,141</u>	<u>18,764</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$	\$	\$
(1,596,924)	-	(1,596,924)
(374,163)	-	(374,163)
(335,414)	-	(335,414)
<u>(2,306,501)</u>	<u>-</u>	<u>(2,306,501)</u>
(88,300)	-	(88,300)
(118,778)	-	(118,778)
(594,801)	-	(594,801)
(374,222)	-	(374,222)
(288,647)	-	(288,647)
<u>(1,464,748)</u>	<u>-</u>	<u>(1,464,748)</u>
(1,207)	-	(1,207)
(63,352)	-	(63,352)
(100,884)	-	(100,884)
-	-	-
(182,783)	-	(182,783)
<u>(347,019)</u>	<u>-</u>	<u>(347,019)</u>
(4,119,475)	-	(4,119,475)
-	11,253	11,253
<u>(4,119,475)</u>	<u>11,253</u>	<u>(4,108,222)</u>
1,716,647	-	1,716,647
420,675	-	420,675
53,643	-	53,643
176,229	-	176,229
352,200	-	352,200
1,560,061	-	1,560,061
1,829	421	2,250
6,812	-	6,812
<u>4,288,096</u>	<u>421</u>	<u>4,288,517</u>
168,621	11,674	180,295
<u>5,443,263</u>	<u>71,221</u>	<u>5,514,484</u>
<u>5,611,884</u>	<u>82,895</u>	<u>5,694,779</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	General	Debt Service	Capital Projects Fund	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,121,127	17,642	442,422	334,766	1,915,957
Receivables:					
Property tax:					
Delinquent	34,956	7,934	1,142	2,684	46,716
Succeeding year	1,790,088	386,805	57,535	100,000	2,334,428
Accounts	-	-	-	1,167	1,167
Accrued interest	-	-	-	16	16
Interfund receivable	-	-	19,594	-	19,594
Due from other governments	292,522	-	58,379	-	350,901
Total assets	3,238,693	412,381	579,072	438,633	4,668,779
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	99,522	6,631	29,095	5,072	140,320
Salaries and benefits payable	358,966	-	-	-	358,966
Interfund payable	12,600	-	-	6,994	19,594
Deferred revenue:					
Succeeding year property tax	1,790,088	386,805	57,535	100,000	2,334,428
Income surtax	193,785	-	-	-	193,785
Total liabilities	2,454,961	393,436	86,630	112,066	3,047,093
Fund balances:					
Restricted for:					
Categorical funding	178,436	-	-	-	178,436
Debt service	-	18,945	-	-	18,945
Management levy	-	-	-	279,825	279,825
Student activities	-	-	-	46,742	46,742
School infrastructure	-	-	447,196	-	447,196
Physical plant and equipment	-	-	45,246	-	45,246
Unassigned	605,296	-	-	-	605,296
Total fund balances	783,732	18,945	492,442	326,567	1,621,686
Total liabilities and fund balances	3,238,693	412,381	579,072	438,633	4,668,779

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

	\$
Total fund balances of governmental funds (Exhibit C)	1,621,686
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,551,947
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	193,785
Bond issue costs are an expense when incurred in the governmental funds, but are capitalized and amortized for the life of the bonds for the government-wide financial statements.	33,046
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,252)
Long-term liabilities, including bonds payable, bond premium, termination benefits, compensated absences and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,786,328)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,611,884</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Debt Service	Capital Projects Fund	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,808,061	420,675	405,843	101,228	2,735,807
Tuition	254,396	-	-	-	254,396
Other	87,088	57	19,007	95,705	201,857
State sources	2,117,499	630	97	136	2,118,362
Federal sources	202,180	-	-	-	202,180
Total revenues	<u>4,469,224</u>	<u>421,362</u>	<u>424,947</u>	<u>197,069</u>	<u>5,512,602</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,131,182	-	-	28,156	2,159,338
Special	466,636	-	-	-	466,636
Other	412,935	-	-	98,926	511,861
	<u>3,010,753</u>	<u>-</u>	<u>-</u>	<u>127,082</u>	<u>3,137,835</u>
Support services:					
Student	87,932	-	-	-	87,932
Instructional staff	104,098	-	-	-	104,098
Administration	537,827	46,162	-	-	583,989
Operation and maintenance of plant	325,004	-	27,817	32,911	385,732
Transportation	220,023	-	-	8,012	228,035
	<u>1,274,884</u>	<u>46,162</u>	<u>27,817</u>	<u>40,923</u>	<u>1,389,786</u>
Non-instructional programs	<u>1,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,207</u>
Other expenditures:					
Facilities acquisition	-	-	155,851	-	155,851
Long-term debt:					
Principal	-	2,835,000	-	-	2,835,000
Interest and fiscal charges	-	113,400	-	-	113,400
AEA flowthrough	164,059	-	-	-	164,059
	<u>164,059</u>	<u>2,948,400</u>	<u>155,851</u>	<u>-</u>	<u>3,268,310</u>
Total expenditures	<u>4,450,903</u>	<u>2,994,562</u>	<u>183,668</u>	<u>168,005</u>	<u>7,797,138</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,321</u>	<u>(2,573,200)</u>	<u>241,279</u>	<u>29,064</u>	<u>(2,284,536)</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Debt Service	Capital Projects Fund	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Refunding bonds issued	-	2,530,000	-	-	2,530,000
Operating transfers in	-	50,000	-	-	50,000
Operating transfers out	-	-	(50,000)	-	(50,000)
Total other financing sources (uses)	-	2,580,000	(50,000)	-	2,530,000
Net change in fund balances	18,321	6,800	191,279	29,064	245,464
Fund balances beginning of year	765,411	12,145	301,163	297,503	1,376,222
Fund balances end of year	<u>783,732</u>	<u>18,945</u>	<u>492,442</u>	<u>326,567</u>	<u>1,621,686</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		245,464
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	116,795	
Depreciation expense	<u>(294,659)</u>	(177,864)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		(16,413)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		2,835,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		7,198
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(180,000)	
Compensated absences	938	
Other postemployment benefits	<u>(15,456)</u>	(194,518)
Bond issue costs are reported as expenses in the fund financial statements when incurred, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.		
		(5,507)
Bond premiums are reported as revenue in the governmental fund financial statements when incurred, but are amortized over the life of the bonds in the government-wide financial statements.		
		5,261
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		
		<u>(2,530,000)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>168,621</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	61,879
Inventories	5,821
Capital assets, net of accumulated depreciation	<u>22,277</u>
Total assets	<u>89,977</u>
Liabilities	
Accounts payable	2,453
Salaries and benefits payable	788
Deferred revenue	2,796
Net OPEB liability	<u>1,045</u>
Total liabilities	<u>7,082</u>
Net assets	
Invested in capital assets	22,277
Unrestricted	<u>60,618</u>
Total net assets	<u><u>82,895</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>117,820</u>
Operating expenses:	
Non-instructional programs:	
Salaries	68,073
Benefits	15,741
Purchased services	3,292
Supplies	156,167
Depreciation	3,540
Other	5,463
Total operating expenses	<u>252,276</u>
Operating income (loss)	<u>(134,456)</u>
Non-operating revenues:	
State sources	2,505
Federal sources	143,204
Interest income	421
Total non-operating revenues	<u>146,130</u>
Change in net assets	11,674
Net assets beginning of year	<u>71,221</u>
Net assets end of year	<u><u>82,895</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	117,902
Cash payments to employees for services	(82,658)
Cash payments to suppliers for goods or services	<u>(147,731)</u>
Net cash used by operating activities	<u>(112,487)</u>
Cash flows from non-capital financing activities:	
State grants received	2,505
Federal grants received	<u>132,753</u>
Net cash provided by non-capital financing activities	<u>135,258</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(4,221)</u>
Cash flows from investing activities:	
Interest on investments	<u>421</u>
Net increase (decrease) in cash and cash equivalents	18,971
Cash and cash equivalents at beginning of year	<u>42,908</u>
Cash and cash equivalents at end of year	<u><u>61,879</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(134,456)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	14,714
Depreciation	3,540
Decrease (increase) in inventories	1,439
(Decrease) increase in accounts payable	1,038
(Decrease) increase in salaries and benefits payable	788
(Decrease) increase in deferred revenue	82
(Decrease) increase in other postemployment benefits	<u>368</u>
Net cash used by operating activities	<u><u>(112,487)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$14,714 of federal commodities.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	163,638
Accrued interest receivable	<u>276</u>
Total assets	163,914
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>163,914</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	300
Interest	1,486
Total additions	<u>1,786</u>
Deductions:	
Support services:	
Scholarships awarded	<u>2,575</u>
Change in net assets	(789)
Net assets beginning of year	<u>164,703</u>
Net assets end of year	<u><u>163,914</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

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

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

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

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use 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 the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. 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 classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the other expenditures function exceeded the amount budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of \$1,255,664 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2012 is as follows:

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

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

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer To	Transfer From	Amount
		\$
Debt Service Fund	Capital Projects Fund	50,000

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

5. Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	5,226	10,753	15,979	-
Land	19,689	-	-	19,689
Total capital assets not being depr.	24,915	10,753	15,979	19,689
Capital assets being depreciated:				
Buildings	7,690,677	15,979	-	7,706,656
Improvements other than buildings	524,056	-	-	524,056
Furniture and equipment	1,427,478	106,042	-	1,533,520
Total capital assets being deprec.	9,642,211	122,021	-	9,764,232

Less accumulated depreciation for:				
Buildings	1,705,511	156,581	-	1,862,092
Improvements other than buildings	238,601	26,202	-	264,803
Furniture and equipment	993,203	111,876	-	1,105,079
Total accumulated depreciation	<u>2,937,315</u>	<u>294,659</u>	-	<u>3,231,974</u>
Total capital assets being depreciated, net	<u>6,704,896</u>	<u>(172,638)</u>	-	<u>6,532,258</u>
Governmental activities capital assets, net	<u>6,729,811</u>	<u>(161,885)</u>	15,979	<u>6,551,947</u>
Business type activities:				
Furniture and equipment	208,876	4,221	-	213,097
Less accumulated depreciation	<u>187,280</u>	<u>3,540</u>	-	<u>190,820</u>
Business type activities capital assets, net	<u>21,596</u>	<u>681</u>	-	<u>22,277</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	21,060
Special	5,577
Other	3,257
Support services:	
Instructional staff	13,944
Administration	4,035
Operation and maintenance of plant services	3,391
Transportation	<u>60,612</u>
	111,876
Unallocated depreciation	<u>182,783</u>
Total depreciation expense – governmental activities	<u>294,659</u>
Business type activities:	
Food service	<u>3,540</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	2,835,000	2,530,000	2,835,000	2,530,000	415,000
Termination benefits	-	180,000	-	180,000	180,000
Compensated absences	1,812	874	1,812	874	874
Net OPEB liability	<u>28,436</u>	<u>15,456</u>	<u>-</u>	<u>43,892</u>	<u>-</u>
Total	<u>2,865,248</u>	<u>2,726,330</u>	<u>2,836,812</u>	<u>2,754,766</u>	<u>595,874</u>
Business type activities:					
Net OPEB liability	<u>677</u>	<u>368</u>	<u>-</u>	<u>1,045</u>	<u>-</u>

Termination Benefits

The District offered a voluntary early retirement plan for employees during fiscal year 2012. Eligible employees must have completed at least twenty years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to \$30,000.

Early retirement benefits will be paid in two equal installments during the year following retirement.

At June 30, 2012, the District has obligations to six participants with a total liability of \$180,000. There were no early retirement expenditures during the year ended June 30, 2012.

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

2012 Refunding Bond Issue				
<u>Year Ended</u> <u>June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
		<u>\$</u>	<u>\$</u>	<u>\$</u>
2013	.40%	415,000	21,305	436,305
2014	.50%	415,000	19,125	434,125
2015	.70%	420,000	17,050	437,050
2016	.90%	420,000	14,110	434,110
2017	1.10%	425,000	10,330	435,330
2018	1.30%	435,000	5,655	440,655
Total		<u>2,530,000</u>	<u>87,575</u>	<u>2,617,575</u>

Bond Refunding

On May 22, 2012, the District issued \$2,530,000 of general obligation refunding bonds with interest rates ranging between .40% to 1.30%. The District issued the bonds to refund \$2,480,000 of the outstanding 2005 general obligation refunding bonds with a 4.00% interest rate. The District used the net proceeds to call and pay the balance of the 2005 issue.

The refunding reduced total debt service payments over the next six years by \$225,263. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$218,478.

7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$221,875, \$182,798 and \$132,351 respectively, equal to the required contributions for each year.

8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 78 active and no retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	17,847
Interest on net OPEB obligation	332
Adjustment to annual required contribution	<u>(1,453)</u>
Annual OPEB cost	16,726
Contributions made	<u>902</u>
Increase in net OPEB obligation	15,824
Net OPEB obligation beginning of year	<u>29,113</u>
Net OPEB obligation end of year	<u>44,937</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, 2012.

For the year ended June 30, 2012, the District contributed \$902 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	16,386	19%	13,289
2011	16,726	5%	29,113
2012	16,726	5%	44,937

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$119,453, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$119,453. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,920,000, and the ratio of the UAAL to covered payroll was 6.2%. As of June 30, 2012, there were no trust fund assets.

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

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

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

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

The UAAL is being amortized over 30 years.

9. Risk Management

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

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$164,059 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Lease Commitment

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

<u>Year Ended June 30</u>	<u>Lease Payment</u>
	\$
2013	20,352
2014	1,696

12. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Limited English proficient	8,252
At risk	29,419
Returning dropout and dropout prevention program	16,602
Preschool	9,793
Mentoring	707
Teacher salary supplement	55,652
Home school assistance program	16,292
Educator quality, professional development	13,728
Core curriculum	25,344
Market factor	2,647
	<u>178,436</u>

REQUIRED SUPPLEMENTARY INFORMATION

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2012

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,192,060	118,241	3,310,301	3,206,322	3,206,322	103,979
State sources	2,118,362	2,505	2,120,867	2,555,104	2,555,104	(434,237)
Federal sources	202,180	143,204	345,384	375,000	375,000	(29,616)
Total revenues	<u>5,512,602</u>	<u>263,950</u>	<u>5,776,552</u>	<u>6,136,426</u>	<u>6,136,426</u>	<u>(359,874)</u>
Expenditures/Expenses:						
Instruction	3,137,835	-	3,137,835	3,600,000	3,600,000	462,165
Support services	1,389,786	-	1,389,786	1,563,000	1,563,000	173,214
Non-instructional programs	1,207	252,276	253,483	260,000	260,000	6,517
Other expenditures	3,268,310	-	3,268,310	904,823	904,823	(2,363,487)
Total expenditures/expenses	<u>7,797,138</u>	<u>252,276</u>	<u>8,049,414</u>	<u>6,327,823</u>	<u>6,327,823</u>	<u>(1,721,591)</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(2,284,536)	11,674	(2,272,862)	(191,397)	(191,397)	(2,081,465)
Other financing sources (uses) net	<u>2,530,000</u>	<u>-</u>	<u>2,530,000</u>	<u>-</u>	<u>-</u>	<u>2,530,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	245,464	11,674	257,138	(191,397)	(191,397)	448,535
Balance beginning of year	<u>1,376,222</u>	<u>71,221</u>	<u>1,447,443</u>	<u>1,031,504</u>	<u>1,031,504</u>	<u>415,939</u>
Balance end of year	<u><u>1,621,686</u></u>	<u><u>82,895</u></u>	<u><u>1,704,581</u></u>	<u><u>840,107</u></u>	<u><u>840,107</u></u>	<u><u>864,474</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

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

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

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

During the year ended June 30, 2012, expenditures in the other expenditures function exceeded the amount budgeted.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	119,273	119,273	0.0%	1,480,000	8.1%
2011	July 1, 2009	-	119,453	119,453	0.0%	1,740,000	6.9%
2012	July 1, 2009	-	119,453	119,453	0.0%	1,920,000	6.2%

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

SUPPLEMENTARY INFORMATION

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

Assets	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Management</u>	<u>Student</u>	
	<u>Levy</u>	<u>Activity</u>	
	\$	\$	\$
Cash and pooled investments	284,135	50,631	334,766
Receivables:			
Property tax:			
Delinquent	2,684	-	2,684
Succeeding year	100,000	-	100,000
Accounts	-	1,167	1,167
Accrued interest	-	16	16
	<u>386,819</u>	<u>51,814</u>	<u>438,633</u>
Total assets	<u>386,819</u>	<u>51,814</u>	<u>438,633</u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	-	5,072	5,072
Interfund payables	6,994	-	6,994
Deferred revenue:			
Succeeding year property tax	100,000	-	100,000
Total liabilities	<u>106,994</u>	<u>5,072</u>	<u>112,066</u>
Fund balances:			
Restricted for:			
Management levy	279,825	-	279,825
Student activities	-	46,742	46,742
Total fund balances	<u>279,825</u>	<u>46,742</u>	<u>326,567</u>
Total liabilities and fund balances	<u>386,819</u>	<u>51,814</u>	<u>438,633</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Special Revenue Funds		Total
	Management Levy	Student Activity	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	101,228	-	101,228
Other	6,913	88,792	95,705
State sources	136	-	136
Total revenues	<u>108,277</u>	<u>88,792</u>	<u>197,069</u>
Expenditures:			
Current:			
Instruction:			
Regular	28,156	-	28,156
Other	-	98,926	98,926
Support services:			
Operation and maintenance of plant	32,911	-	32,911
Transportation	8,012	-	8,012
Total expenditures	<u>69,079</u>	<u>98,926</u>	<u>168,005</u>
Net change in fund balances	39,198	(10,134)	29,064
Fund balances beginning of year	<u>240,627</u>	<u>56,876</u>	<u>297,503</u>
Fund balances end of year	<u><u>279,825</u></u>	<u><u>46,742</u></u>	<u><u>326,567</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash and pooled investments	404,423	37,999	442,422
Receivables:			
Property tax:			
Delinquent	-	1,142	1,142
Succeeding year	-	57,535	57,535
Interfund receivable	12,600	6,994	19,594
Due from other governments	58,379	-	58,379
Total assets	475,402	103,670	579,072
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	28,206	889	29,095
Deferred revenue:			
Succeeding year property tax	-	57,535	57,535
Total liabilities	28,206	58,424	86,630
Fund balances:			
Restricted for:			
School infrastructure	447,196	-	447,196
Physical plant and equipment	-	45,246	45,246
Total fund balances	447,196	45,246	492,442
Total liabilities and fund balances	475,402	103,670	579,072

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	352,200	53,643	405,843
Other	42	18,965	19,007
State sources	-	97	97
Total revenues	<u>352,242</u>	<u>72,705</u>	<u>424,947</u>
Expenditures:			
Current:			
Support services:			
Operation and maintenance of plant	21,769	6,048	27,817
Other expenditures:			
Facilities acquisition	79,694	76,157	155,851
Total expenditures	<u>101,463</u>	<u>82,205</u>	<u>183,668</u>
Excess (deficiency) of revenues over (under) expenditures	250,779	(9,500)	241,279
Other financing sources (uses):			
Operating transfers out	<u>(50,000)</u>	-	<u>(50,000)</u>
Net change in fund balance	200,779	(9,500)	191,279
Fund balances beginning of year	<u>246,417</u>	<u>54,746</u>	<u>301,163</u>
Fund balance end of year	<u><u>447,196</u></u>	<u><u>45,246</u></u>	<u><u>492,442</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Inter-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Interest	1,854	763	59	-	2,558
Cheerleaders	942	930	1,228	-	644
MS the loft	142	-	-	-	142
MS renaissance	737	-	-	-	737
MS student council	4,851	6,082	4,022	(2,580)	4,331
MS athletic fundraiser	215	915	3,710	2,580	-
Yearbook	4,746	7,444	7,517	-	4,673
HS play	2,386	350	1,628	-	1,108
HS athletics	15,072	34,820	43,567	-	6,325
Speech and drama club	2,188	1,341	2,471	-	1,058
Chess club	100	-	-	-	100
Drill team	2,430	4,701	3,597	-	3,534
Wolverine's den	258	-	-	-	258
HS renaissance	296	732	668	-	360
FFA	144	-	-	-	144
FCLLA	2,179	2,582	2,356	-	2,405
Music fundraiser	1,169	-	61	-	1,108
Art club	1,463	489	313	-	1,639
Spanish club	303	670	846	-	127
Quiz bowl club	95	-	-	-	95
Industrial arts club	176	-	-	-	176
Physics club	2	2,573	2,568	-	7
Scholarship banquet fund	145	348	78	-	415
Class of 2008	2,433	-	-	(2,433)	-
Class of 2007	113	-	-	(113)	-
Class of 2009	1,598	-	-	(1,598)	-
Class of 2010	2,324	-	-	(2,324)	-
Class of 2011	1,033	-	653	(380)	-
Class of 2012	2,663	22	1,751	-	934
Class of 2013	-	4,026	4,048	22	-
Class of 2014	-	1,515	11	-	1,504
National Honor Society	496	481	472	-	505
Elementary student council	-	973	973	-	-
HS student council	363	4,095	2,701	6,826	8,583
HS concessions	3,960	12,940	13,628	-	3,272
Total	56,876	88,792	98,926	-	46,742

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	2,735,807	2,613,481	2,526,459	2,417,583	2,265,958	2,278,570	2,227,034	2,230,236	2,387,053
Tuition	254,396	204,309	254,721	177,722	223,539	301,341	246,451	238,173	244,964
Other	201,857	247,344	174,842	179,499	354,908	427,305	278,939	206,636	174,671
State sources	2,118,362	2,122,338	1,857,266	2,184,403	2,232,509	2,192,651	2,132,425	2,001,669	1,802,142
Federal sources	202,180	358,152	493,993	160,488	176,490	196,345	302,767	259,519	276,718
Total revenues	<u>5,512,602</u>	<u>5,545,624</u>	<u>5,307,281</u>	<u>5,119,695</u>	<u>5,253,404</u>	<u>5,396,212</u>	<u>5,187,616</u>	<u>4,936,233</u>	<u>4,885,548</u>
Expenditures:									
Instruction:									
Regular instruction	2,159,338	2,205,906	2,108,279	2,037,216	1,944,412	1,920,175	1,769,689	1,846,735	1,754,209
Special instruction	466,636	424,155	454,213	421,213	510,303	446,991	427,012	490,293	531,211
Other instruction	511,861	455,672	476,414	418,006	408,715	369,982	403,151	200,160	217,482
Support services:									
Student services	87,932	79,222	58,355	98,241	102,426	96,769	97,475	97,235	100,084
Instructional staff services	104,098	125,939	117,119	153,551	124,290	140,435	116,141	122,843	98,800
Administration services	583,989	511,631	522,926	495,412	466,908	484,887	485,354	605,385	536,916
Operation and maintenance	385,732	383,344	473,878	406,890	405,727	391,297	384,718	335,493	380,176
Transportation services	228,035	383,032	206,337	191,478	248,339	306,551	261,357	365,048	168,773
Non-instructional programs	1,207	-	6,391	-	-	-	4,082	-	255
Other expenditures:									
Facilities acquisition	155,851	193,387	715,152	437,426	351,988	119,938	128,434	220,647	316,607
Long-term debt:									
Principal	2,835,000	345,000	330,000	320,000	4,100,000	275,000	265,000	255,000	259,307
Interest and other charges	113,400	127,650	140,800	153,600	349,060	361,648	363,776	232,898	245,553
AEA flowthrough	164,059	184,215	183,449	161,318	157,847	155,881	149,751	147,634	150,193
Total expenditures	<u>7,797,138</u>	<u>5,419,153</u>	<u>5,793,313</u>	<u>5,294,351</u>	<u>9,170,015</u>	<u>5,069,554</u>	<u>4,855,940</u>	<u>4,919,371</u>	<u>4,759,566</u>

See accompanying independent auditor's report.

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of River Valley Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 28, 2013. 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

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 12-I-A, 12-B, 12-I-C, 12-I-D and 12-I-E to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

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

January 28, 2013

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

Internal control deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

12-I-C Bank Reconciliations: One of the main internal controls over the cash balances reported in the accounting records is the preparation of a monthly reconciliation of the bank statement cash balances to the cash balances in the accounting records. The cash balances in the computer financial accounting records were not reconciled to the bank timely. All of the monthly bank reconciliations were prepared at the end of the fiscal year.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

Recommendation: Bank reconciliations should be prepared as soon as the monthly bank statements are received. Any variances between the bank reconciliation and the cash balances in the financial statements should be investigated and resolved.

District Response: Timely monthly bank reconciliations will be prepared.

Conclusion: Response accepted.

12-I-D School Expenditure Supporting Documentation and Board Approval: We noted the following items during our testing of District expenditures:

We reviewed credit card bills for all of the funds. We reviewed the detailed supporting documentation for the August 2011 through February 2012 bills totaling \$5,198. We noted that detailed supporting documentation was missing for \$422 of August through February bills. We noted that the payments for May and June 2012 totaling \$4,186 were paid electronically and were not on the list of bills approved by the board. We also noted that \$6,675 of charges to the credit card were paid by a credit balance and that these charges offset by the credit balance were not on the lists of bills approved by the board.

General Fund – We tested twenty other General Fund payments. Two payments, totaling \$752 were not approved by the board. Three payments totaling \$1,390 were not supported by detailed invoices or receipts.

Capital Projects Fund – We tested twelve other payments. A \$2,784 payment was not on the list of bills approved by the board.

Student Activity Fund – We tested sixteen other expenditures. Two payments totaling \$2,457 were not on the lists of bills approved by the board.

School Nutrition Fund – We tested fifteen other expenditures. One \$586 payment was not included on the lists of bills approved by the board.

Private Purpose Trust Fund – We tested two other payments totaling \$2,575. Neither payment was on the lists of bills approved by the board.

Recommendation: All District payments should be supported by detailed invoices, receipts, contracts or other documents prepared by or signed by entities outside of the District. These documents should specify exactly what the District is paying for and the amount to be paid.

The board should adopt a policy that specifies what types of items may be paid electronically and that specifies the controls that the District will use to ensure that procedures for electronic payments follow the requirements for all school payments that are set by Iowa law.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

The District should also review its procedures for preparing the lists of bills for board approval. Chapter 179.29 of the Code of Iowa provides that "the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage and printing, without prior Board approval. The Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Superintendent. The Board's written policy should comply with Chapter 279.30 of the Code of Iowa. Then, except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed. Any payments made prior to board approval as allowed should be approved by the board at the next meeting.

District Response: We are in the process of reviewing and changing our current procedures.

Conclusion: Response accepted.

12-I-E Vacation Pay: The District's policy is that vacation must be taken annually and that unused days will not be paid. We noted that an administrator who resigned as of June 30, 2012 was paid \$4,019 for unused vacation days. Board approval for this payment was not documented in the minutes.

Recommendation: All changes in employee benefits policy or changes to employee salaries and benefits should be voted on by the board and documented in the official board minutes. Employment contracts should be amended when terms of the contract have been changed.

District Response: Any future changes to employee salary and benefits will be documented in the minutes.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

- 12-II-A Certified Budget: Expenditures for the year ended June 30, 2012, exceeded the amount budgeted in the other expenditures functions.
- Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion: Response accepted.
- 12-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 12-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 12-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 12-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 12-II-F Board Minutes: See comment 12-I-D for transactions requiring board approval that had not been approved by the board.
- 12-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 12-II-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 12-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 12-II-J Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.
- 12-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 12-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	\$
		246,417
Revenues/transfers in:		
Statewide sales, services and use tax revenue	352,200	
Interest	42	352,242
	<hr/>	
Expenditures/transfers out:		
School infrastructure construction	65,594	
Equipment	35,869	
Transfers to debt service fund	50,000	151,463
	<hr/>	<hr/>
Ending balance		<u>447,196</u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E of 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	<hr/>	<hr/>
	\$	\$
Debt service levy	.30917	50,000

12-II-M Old outstanding checks: We noted that the District's bank reconciliations included approximately \$3,125 of old outstanding checks. Iowa Code Section 566 specifies that holders of unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

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

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

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

Conclusion: Response accepted.

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

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

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

District Response: We will repay the interfund loans immediately.

Conclusion: Response accepted.

12-II-O Signatures on Checks: The Code of Iowa requires that all checks be signed by the board secretary and the board president. The board may approve another person to sign for the board president. The District pays a large portion of its salaries to employees electronically. In February 2012 there was a mix up at the bank and a \$128,454 electronic payment for payroll was not taken out of the School's bank account. The employees did receive their wages because the bank covered the payments with bank money. The bank asked that the school write a check to the bank to reimburse it for the payroll. The school did this and the check cleared the bank, however, no one signed the check.

Recommendation: The District should develop procedures to review each check for the correct signatures prior to releasing the check.

District Response: We will review our current procedures.

Conclusion: Response accepted.