

RICEVILLE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Riceville Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before September 2011 Election)		
Christopher Smith	President	2013
Deborah Oulman	Vice President	2011
Carla McCarthy	Board Member	2011
Karl Fox	Board Member	2013
Lowell Dohlman	Board Member	2011
(After September 2011 Election)		
Christopher Smith	President	2013
Karl Fox	Vice President	2013
Scott Schumann	Board Member	2015
William Hemann	Board Member	2015
Neal Keeling	Board Member	2015
School Officials		
Andy Pattee	Superintendent	2012
Jennifer Dunn	Board Secretary/ District Treasurer	2012
Walk & Murphy	Attorney	2012
Lynch Dallas	Attorney	2012

RICEVILLE COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Riceville Community School District:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the Business type activities, each major fund, and the aggregate remaining fund information of the Riceville Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2013 on our consideration of the Riceville Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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.

Members American Institute & Iowa Society of Certified Public Accountants

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 7 through 16 and 42 through 44 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 Riceville Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for eight years ended June 30, 2011 (none of which are presented herein) and expressed an unqualified opinion 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.



NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,516,402 in fiscal 2011 to \$3,360,350 in fiscal 2012, and General Fund expenditures decreased from \$3,570,059 in fiscal 2011 to \$3,548,687 in fiscal 2012. This resulted in a decrease in the District's General Fund balance from \$891,230 in fiscal 2011 to a balance of \$702,893 in fiscal 2012, a 21.13% decrease from the prior year.
- The decrease in General Fund revenues was attributable to decreases in local revenues in fiscal 2012. The decrease in expenditures was due primarily to a decrease in the support services functional area.

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 Riceville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Riceville 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 Riceville Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

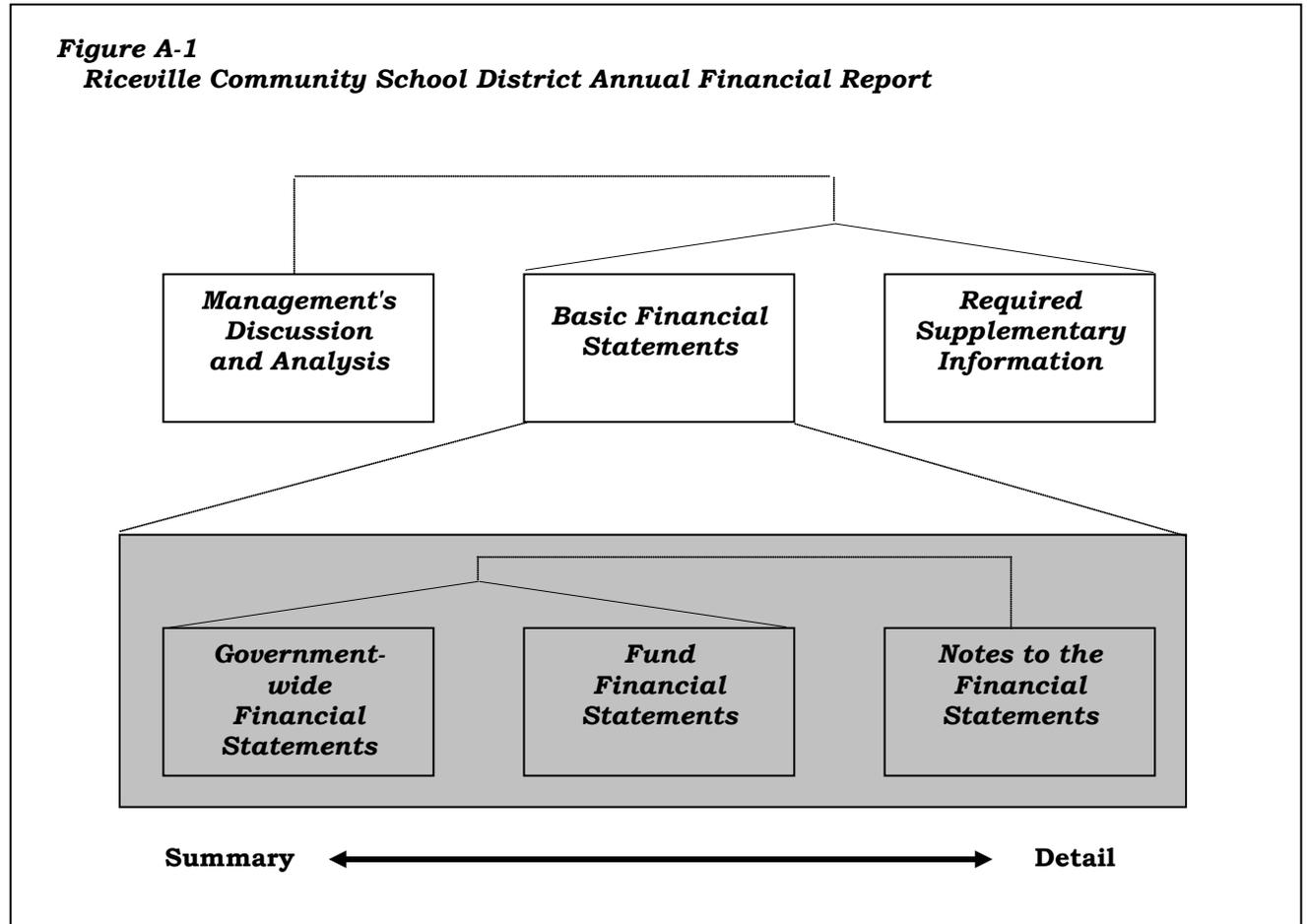


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

The required financial statements for the 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 the proprietary funds include a statement of net assets, 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. This fund includes the Agency Fund.

- a. Agency Fund - These are funds through which the District administers and accounts for certain outside organizations.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-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							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 4,275,181	4,631,792	51,380	56,325	4,326,561	4,688,117	-7.71%
Capital assets	974,192	1,017,087	46,148	52,478	1,020,340	1,069,565	-4.60%
Total assets	5,249,373	5,648,879	97,528	108,803	5,346,901	5,757,682	-7.13%
Long-term obligations	427,221	124,542	1,269	640	428,490	125,182	242.29%
Other liabilities	2,074,952	2,323,660	25,094	22,092	2,100,046	2,345,752	-10.47%
Total liabilities	2,502,173	2,448,202	26,363	22,732	2,528,536	2,470,934	2.33%
Net assets:							
Invested in capital assets, net of related debt	904,492	917,516	46,148	52,478	950,640	969,994	-2.00%
Restricted	1,435,434	1,401,957	-	-	1,435,434	1,401,957	2.39%
Unrestricted	407,274	881,204	25,017	33,593	432,291	914,797	-52.74%
Total net assets	\$ 2,747,200	3,200,677	71,165	86,071	2,818,365	3,286,748	-14.25%

The District's combined net assets decreased by \$468,383 or by 14.25%, over the prior year. The largest portion of the District's net assets is the restricted net assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$33,477, or 2.39% over the prior year. The increase is primarily due to the increase in fund balance of the Capital Projects: Statewide, Sales Services and Use Tax Fund and Management Levy Fund.

Unrestricted net assets are 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 \$482,506, or 52.74%. This decrease in unrestricted net assets was primarily a result of the District's decrease in fund balance in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to June 30, 2011.

Figure A-4							
Changes of Net Assets							
	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 265,887	609,469	95,750	83,125	361,637	692,594	-47.79%
Operating grants and contributions and restricted interest	373,918	588,991	65,302	68,343	439,220	657,334	-33.18%
Capital grants and contributions and restricted interest	1,500	-	-	-	1,500	-	100.00%
General revenues:							
Property tax	1,662,968	2,038,288	-	-	1,662,968	2,038,288	-18.41%
Income surtax	154,914	93,014	-	-	154,914	93,014	66.55%
Statewide sales, services and use tax	213,359	213,122	-	-	213,359	213,122	0.11%
Nonspecific program federal grants	43,000	-	-	-	43,000	-	100.00%
Unrestricted state grants	899,762	668,125	-	-	899,762	668,125	34.67%
Unrestricted investment earnings	11,140	18,331	78	109	11,218	18,440	-39.16%
Other	87,512	342	274	-	87,786	342	25568.42%
Transfer	100	-	(100)	-	-	-	0.00%
Total revenues and transfers	3,714,060	4,229,682	161,304	151,577	3,875,364	4,381,259	-11.55%
Program expenses:							
Governmental activities:							
Instructional	2,797,251	2,419,644	-	-	2,797,251	2,419,644	15.61%
Support services	1,159,539	1,331,114	19,798	-	1,179,337	1,331,114	-11.40%
Non-instructional programs	1,650	-	156,412	177,078	158,062	177,078	-10.74%
Other expenditures	209,097	566,398	-	-	209,097	566,398	-63.08%
Total expenses	4,167,537	4,317,156	176,210	177,078	4,343,747	4,494,234	-3.35%
Changes in net assets	(453,477)	(87,474)	(14,906)	(25,501)	(468,383)	(112,975)	-314.59%
Beginning net assets	3,200,677	3,288,151	86,071	111,572	3,286,748	3,399,723	-3.32%
Ending net assets	\$ 2,747,200	3,200,677	71,165	86,071	2,818,365	3,286,748	-14.25%

In fiscal 2012, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 78.92% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.84% of the revenue from business type activities.

The District's total revenues were approximately \$3.87 million of which approximately \$3.71 million was for governmental activities and approximately \$0.16 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 11.55% decrease in revenues and a 3.35% decrease in expenses. The decrease in expenses was related to decreases in the support services and other expenditures functional areas.

Governmental Activities

Revenues for governmental activities were \$3,714,060 and expenses were \$4,167,537.

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

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 2,797,251	2,419,644	15.61%	2,285,466	1,482,145	54.20%
Support services	1,159,539	1,331,114	-12.89%	1,152,880	1,210,594	-4.77%
Non-instructional programs	1,650	-	100.00%	1,650	-	100.00%
Other expenses	209,097	566,398	-63.08%	86,236	425,957	-79.75%
Totals	<u>\$ 4,167,537</u>	<u>4,317,156</u>	<u>-3.47%</u>	<u>3,526,232</u>	<u>3,118,696</u>	<u>13.07%</u>

- The cost financed by users of the District’s programs was \$265,887.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$375,418.
- The net cost of governmental activities was financed with \$1,662,968 in property tax, \$154,914 in income surtax, \$213,359 in statewide sales, services and use tax, \$43,000 in nonspecific program federal grants, \$899,762 in unrestricted state grants, \$11,140 in interest income, and \$87,612 in miscellaneous income, net of transfers.

Business type Activities

Revenues of the District’s business type activities were \$161,304 and expenses were \$176,210. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,058,651, below last year’s ending fund balances of \$2,150,084. The primary reason for the decrease in combined fund balances in fiscal 2012 was due to the decrease in the General Fund balance.

Governmental Fund Highlights

- The District’s decreasing General Fund financial position is the result of many factors. Overall, the General Fund revenues for fiscal 2012 decreased 4.44%, or \$156,052 as compared to fiscal 2012. The total expenditures also decreased by \$21,372, or 0.60%. With these factors, the General Fund balance decreased by \$188,337 or 21.13%.

-
- The Capital Projects Fund balance increased from \$754,631 in fiscal 2011 to \$813,502 in fiscal 2012. This increase was a result of decreased capital outlay expenditures in the Capital Projects Fund.
 - The Management Levy Fund balance increased from \$431,326 in fiscal 2011 to \$487,552 in fiscal 2012. The increase is due to an increase in local revenues and a decrease in instruction and support services functional area expenditures.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$86,071 at June 30, 2011 to \$71,165 at June 30, 2012, representing a decrease of 17.32%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$225,684 less than budgeted revenues, a variance of 5.49%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$1,020,340, 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) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$160,600.

The original cost of the District's capital assets was \$3,972,779. Governmental funds account for \$3,810,710 with the remainder of \$162,069 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$46,149 at June 30, 2011 as compared to \$37,564 at June 30, 2012, due to depreciation taken during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total Change June 30, 2011-12
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2012	2011	2012	2011	2012	2011	
Land	\$ 37,000	37,000	-	-	37,000	37,000	0.00%
Buildings	791,287	798,103	-	-	791,287	798,103	-0.86%
Land improvements	37,564	46,149	-	-	37,564	46,149	-22.85%
Machinery and equipment	108,341	135,835	46,148	52,478	154,489	188,313	-21.89%
Total	\$ 974,192	1,017,087	46,148	52,478	1,020,340	1,069,565	-4.60%

Long-Term Debt

At June 30, 2012, the District had \$428,490 in contracts payable, computer lease payable and other long-term debt outstanding. This represents an increase of 242.29% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding contracts payable indebtedness of \$69,700 at June 30, 2012.

The District had total outstanding computer lease indebtedness of \$244,444 at June 30, 2012.

The District had total outstanding compensated absences payable from the General Fund of \$1,604 at June 30, 2012.

The District had total early retirement payable from the Management Fund of \$69,427 at June 30, 2012.

The District had a Net OPEB liability of \$43,315 at June 30, 2012.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total Change June 30, 2011-12
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2012	2011	2012	2011	2012	2011	
Contracts payable	\$ 69,700	99,571	-	-	69,700	99,571	-30.00%
Computer lease	244,444	-	-	-	244,444	-	100.00%
Compensated absences	1,604	-	-	-	1,604	-	100.00%
Early retirement	69,427	-	-	-	69,427	-	100.00%
Net OPEB liability	42,046	24,971	1,269	640	43,315	25,611	68.38%
Total	\$ 427,221	124,542	1,269	640	428,490	125,182	242.29%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections. The District will continue to be forced to shift funding to property taxes and income surtaxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jennifer Dunn, Board Secretary/District Treasurer, Riceville Community School District, 912 Woodland Ave., Riceville, Iowa, 50466.

BASIC FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:			
Other	2,362,242	39,631	2,401,873
Receivables:			
Property tax:			
Delinquent	20,556	-	20,556
Succeeding year	1,654,750	-	1,654,750
Income surtax	145,418	-	145,418
Accounts	6,100	-	6,100
Due from other governments	82,050	-	82,050
Inventories	-	11,749	11,749
Prepaid expenses	4,065	-	4,065
Capital assets, net of accumulated depreciation	974,192	46,148	1,020,340
TOTAL ASSETS	5,249,373	97,528	5,346,901
LIABILITIES			
Accounts payable	106,437	7,609	114,046
Salaries and benefits payable	309,925	10,224	320,149
Accrued interest payable	3,840	-	3,840
Deferred revenue:			
Succeeding year property tax	1,654,750	-	1,654,750
Unearned revenue	-	7,261	7,261
Long-term liabilities:			
Portion due within one year:			
Contract payable	29,871	-	29,871
Computer lease	96,393	-	96,393
Compensated absences payable	1,604	-	1,604
Early retirement payable	69,427	-	69,427
Portion due after one year:			
Contract payable	39,829	-	39,829
Computer lease payable	148,051	-	148,051
Net OPEB liability	42,046	1,269	43,315
TOTAL LIABILITIES	2,502,173	26,363	2,528,536
NET ASSETS			
Invested in capital assets, net of related debt	904,492	46,148	950,640
Restricted for:			
Categorical funding	153,168	-	153,168
Management levy purposes	418,125	-	418,125
Student activities	50,639	-	50,639
School infrastructure	517,111	-	517,111
Physical plant and equipment	296,391	-	296,391
Unrestricted	407,274	25,017	432,291
TOTAL NET ASSETS	\$ 2,747,200	71,165	2,818,365

SEE NOTES TO FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,838,216	120,505	41,393	-	(1,676,318)	-	(1,676,318)
Special	349,202	35,989	46,189	-	(267,024)	-	(267,024)
Other	609,833	107,078	160,631	-	(342,124)	-	(342,124)
	<u>2,797,251</u>	<u>263,572</u>	<u>248,213</u>	<u>-</u>	<u>(2,285,466)</u>	<u>-</u>	<u>(2,285,466)</u>
Support services:							
Student	70,640	-	-	-	(70,640)	-	(70,640)
Instructional staff	183,855	-	701	-	(183,154)	-	(183,154)
Administration	367,441	-	-	-	(367,441)	-	(367,441)
Operation and maintenance of plant	282,202	-	-	1,500	(280,702)	-	(280,702)
Transportation	255,401	2,315	2,143	-	(250,943)	-	(250,943)
	<u>1,159,539</u>	<u>2,315</u>	<u>2,844</u>	<u>1,500</u>	<u>(1,152,880)</u>	<u>-</u>	<u>(1,152,880)</u>
Non-instructional programs	1,650	-	-	-	(1,650)	-	(1,650)
Long-term debt interest	9,835	-	-	-	(9,835)	-	(9,835)
Other expenditures:							
AEA flowthrough	122,861	-	122,861	-	-	-	-
Depreciation(unallocated)*	76,401	-	-	-	(76,401)	-	(76,401)
	<u>199,262</u>	<u>-</u>	<u>122,861</u>	<u>-</u>	<u>(76,401)</u>	<u>-</u>	<u>(76,401)</u>
Total governmental activities	4,167,537	265,887	373,918	1,500	(3,526,232)	-	(3,526,232)
Business Type activities:							
Support services:							
Administration	9,013	-	-	-	-	(9,013)	(9,013)
Operation and maintenance of plant	10,785	-	-	-	-	(10,785)	(10,785)
Non-instructional programs:							
Nutrition services	156,412	95,750	65,302	-	-	4,640	4,640
Total business type activities	<u>176,210</u>	<u>95,750</u>	<u>65,302</u>	<u>-</u>	<u>-</u>	<u>(15,158)</u>	<u>(15,158)</u>
Total	\$ 4,343,747	361,637	439,220	1,500	(3,526,232)	(15,158)	(3,541,390)
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,564,999	-	1,564,999
Capital outlay					97,969	-	97,969
Income surtax					154,914	-	154,914
Statewide sales, services and use tax					213,359	-	213,359
Nonspecific program federal grants					43,000	-	43,000
Unrestricted state grants					899,762	-	899,762
Unrestricted investment earnings					11,140	78	11,218
Other general revenues					87,512	274	87,786
Transfers					100	(100)	-
Total general revenues					<u>3,072,755</u>	<u>252</u>	<u>3,073,007</u>
Changes in net assets					(453,477)	(14,906)	(468,383)
Net assets beginning of year					<u>3,200,677</u>	<u>86,071</u>	<u>3,286,748</u>
Net assets end of year					<u>\$ 2,747,200</u>	<u>71,165</u>	<u>2,818,365</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Management Levy	Nonmajor: Student Activity	Total
ASSETS					
Cash and pooled investments	\$ 1,053,909	775,261	486,310	46,762	2,362,242
Receivables:					
Property tax:					
Delinquent	18,160	1,154	1,242	-	20,556
Succeeding year	1,519,662	135,088	-	-	1,654,750
Income surtax	79,319	66,099	-	-	145,418
Accounts	1,541	-	-	4,559	6,100
Due from other funds	-	-	-	2,986	2,986
Due from other governments	41,562	40,488	-	-	82,050
Prepaid expenses	-	-	-	4,065	4,065
TOTAL ASSETS	\$ 2,714,153	1,018,090	487,552	58,372	4,278,167
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ 2,986	-	-	-	2,986
Accounts payable	99,368	3,401	-	3,668	106,437
Salaries and benefits payable	309,925	-	-	-	309,925
Deferred revenue:					
Succeeding year property tax	1,519,662	135,088	-	-	1,654,750
Income surtax	79,319	66,099	-	-	145,418
Total liabilities	2,011,260	204,588	-	3,668	2,219,516
Fund balances:					
Non-spendable	-	-	-	4,065	4,065
Restricted for:					
Categorical funding	153,168	-	-	-	153,168
Management levy purposes	-	-	487,552	-	487,552
Student activities	-	-	-	50,639	50,639
School infrastructure	-	517,111	-	-	517,111
Physical plant and equipment	-	296,391	-	-	296,391
Unassigned	549,725	-	-	-	549,725
Total Fund balances	702,893	813,502	487,552	54,704	2,058,651
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,714,153	1,018,090	487,552	58,372	4,278,167

SEE NOTES TO FINANCIAL STATEMENTS

RICEVILLE 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(page 20)	\$ 2,058,651
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	974,192
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.	(3,840)
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	145,418
Long-term liabilities, including bonds and notes payable, compensated absences payable, early retirement payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(427,221)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 2,747,200</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Management Levy	Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,556,205	387,484	100,182	-	2,043,871
Tuition	127,393	-	-	-	127,393
Other	118,153	5,432	10,328	111,599	245,512
State sources	1,031,155	21	22	-	1,031,198
Federal sources	278,616	-	-	-	278,616
TOTAL REVENUES	3,111,522	392,937	110,532	111,599	3,726,590
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,428,610	339,031	12,125	-	1,779,766
Special	346,918	-	-	-	346,918
Other	493,373	-	-	114,861	608,234
	2,268,901	339,031	12,125	114,861	2,734,918
Support services:					
Student	69,682	-	470	-	70,152
Instructional staff	88,642	78,796	235	-	167,673
Administration	362,497	-	2,002	-	364,499
Operation and maintenance of plant	419,262	37,263	26,284	-	482,809
Transportation	216,842	45,232	11,540	-	273,614
	1,156,925	161,291	40,531	-	1,358,747
Non-instructional programs	-	-	1,650	-	1,650
Capital outlay	-	42,322	-	-	42,322
Long-term debt:					
Principal	-	-	-	124,458	124,458
Interest and fiscal charges	-	-	-	5,995	5,995
	-	-	-	130,453	130,453
Other expenditures:					
AEA flowthrough	122,861	-	-	-	122,861
TOTAL EXPENDITURES	3,548,687	542,644	54,306	245,314	4,390,951
Excess(deficiency) of revenues over(under) expenditures	(437,165)	(149,707)	56,226	(133,715)	(664,361)
OTHER FINANCING SOURCES(USES):					
Transfer in	15,031	-	-	130,453	145,484
Transfer out	-	(130,453)	-	(14,931)	(145,384)
Sale of equipment	139,045	-	-	-	139,045
Computer lease proceeds	-	339,031	-	-	339,031
Issuance proceeds	94,752	-	-	-	94,752
Total other financing sources(uses)	248,828	208,578	-	115,522	572,928
Net change in fund balances	(188,337)	58,871	56,226	(18,193)	(91,433)
Fund balance beginning of year	891,230	754,631	431,326	72,897	2,150,084
Fund balance end of year	\$ 702,893	813,502	487,552	54,704	2,058,651

SEE NOTES TO FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds(page 22) \$ (91,433)

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

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

Expenditures for capital assets	\$ 142,177	
Depreciation expense	(154,270)	
Loss on disposal	(30,802)	(42,895)

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

Issued	(339,031)	
Repaid	124,458	(214,573)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (12,630)

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. (3,840)

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:

Early retirement	(69,427)	
Compensated absences	(1,604)	
Other postemployment benefits	(17,075)	(88,106)

Changes in net assets of governmental activities(page 19) \$ (453,477)

SEE NOTES TO FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2012

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 39,631
Inventories	11,749
Capital assets, net of accumulated depreciation	46,148
TOTAL ASSETS	<u>97,528</u>
LIABILITIES	
Accounts payable	7,609
Salaries and benefits payable	10,224
Unearned revenue	7,261
Net OPEB obligation	1,269
TOTAL LIABILITIES	<u>26,363</u>
NET ASSETS	
Invested in capital assets	46,148
Unrestricted	25,017
TOTAL NET ASSETS	<u>\$ 71,165</u>

SEE NOTES TO FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 95,750
Miscellaneous revenue	274
TOTAL OPERATING REVENUES	96,024
OPERATING EXPENSES:	
Support services:	
Administration:	
Salaries	6,456
Benefits	2,557
Operation and maintenance of plant:	
Services	2,652
Supplies	8,133
Total support services	19,798
Non-instructional programs:	
Food service operations:	
Salaries	44,255
Benefits	16,405
Services	7,609
Supplies	81,678
Depreciation	6,330
Other	135
Total non-instructional	156,412
TOTAL OPERATING EXPENSES	176,210
OPERATING LOSS	(80,186)
NON-OPERATING REVENUES:	
State sources	1,519
Federal sources	63,783
Interest income	78
TOTAL NON-OPERATING REVENUES	65,380
Change in net assets before other financing uses:	(14,806)
Other financing uses:	
Transfer out	(100)
Change in net assets	(14,906)
Net assets beginning of year	86,071
Net assets end of year	\$ 71,165

SEE NOTES TO FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 99,551
Cash received from miscellaneous sources	274
Cash payments to employees for services	(68,162)
Cash payments to suppliers for goods or services	(90,838)
Net cash used in operating activities	<u>(59,175)</u>
Cash flows from non-capital financing activities:	
Repayments to General Fund	(19,344)
State grants received	1,519
Federal grants received	53,524
Net cash provided by non-capital financing activities	<u>35,699</u>
Cash flows from investing activities:	
Interest on investments	<u>78</u>
Net decrease in cash and cash equivalents	(23,398)
Cash and cash equivalents at beginning of year	<u>63,029</u>
Cash and cash equivalents at end of year	<u>\$ 39,631</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (80,186)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	10,259
Depreciation	6,330
Decrease in inventories	737
Decrease in accounts receivable	54
Decrease in accounts payable	(1,627)
Increase in salaries and benefits payable	882
Increase in deferred revenue	3,747
Increase in OPEB liability	629
Net cash used in operating activities	<u>\$ (59,175)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$10,259.

SEE NOTES TO FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUND
 JUNE 30, 2012

	Agency
ASSETS	
Cash and pooled investments	\$ 110
TOTAL ASSETS	\$ 110
LIABILITIES	
Due to other groups	\$ 110
TOTAL LIABILITIES	\$ 110

SEE NOTES TO BASIC FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the 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 non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from Business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's Non-fiduciary 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 plus unspent bond proceeds reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

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

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

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

The District reports the following major governmental funds:

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

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

The Management Fund is utilized to account for the payment of property insurance and unemployment benefits.

The District reports the following non-major proprietary funds:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition 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 Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

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

Asset Class	Amount
Land	\$ 1
Buildings	500
Land improvements	500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	50 years
Intangibles	3-10 years
Machinery and equipment	5 years

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

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

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

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

Compensated absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. 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:

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

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits 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. As of June 30, 2012, the District had no investments.

(3) **Due From and Due to Other Funds**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Student Activity Fund	General Fund	<u>\$ 2,986</u>

The General Fund is repaying the Student Activity Fund for the annual yearbook payment.

(4) **Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 29,871
Debt Service	Capital Projects: Physical Plant and Equipment Levy	100,582
General Fund	Student Activity Fund	14,931
General Fund	School Nutrition	<u>100</u>
Total		<u>\$ 145,484</u>

The Capital Projects: Physical Plant and Equipment Levy fund transferred money to the Debt Service Levy Fund to Fund for payments on the contract payable.

The Capital Projects: Physical Plant and Equipment Levy transferred money to the Debt Service Fund for payment of the District's computer lease.

The Student Activity Fund transferred money to the General Fund to move accounts that were more appropriate out of the General Fund.

The School Nutrition Fund transferred money to the General Fund to correct the Team Nutrition Grant.

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 37,000	-	-	37,000
Total capital assets not being depreciated	37,000	-	-	37,000
Capital assets being depreciated:				
Buildings	2,367,266	61,000	-	2,428,266
Land improvements	342,249	-	-	342,249
Machinery and equipment	1,164,441	81,177	242,423	1,003,195
Total capital assets being depreciated	3,873,956	142,177	242,423	3,773,710
Less accumulated depreciation for:				
Buildings	1,569,163	67,816	-	1,636,979
Land improvements	296,100	8,585	-	304,685
Machinery and equipment	1,028,606	77,869	211,621	894,854
Total accumulated depreciation	2,893,869	154,270	211,621	2,836,518
Total capital assets being depreciated, net	980,087	(12,093)	30,802	937,192
Governmental activities capital assets, net	\$ 1,017,087	(12,093)	30,802	974,192
Business type activities:				
Machinery and equipment	\$ 162,069	-	-	162,069
Less accumulated depreciation	109,591	6,330	-	115,921
Business type activities capital assets, net	\$ 52,478	(6,330)	-	46,148

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 8,752
Support services:	
Instructional	37,600
Operation and maintenance of plant	4,669
Transportation	26,848
	<u>77,869</u>
Unallocated depreciation	<u>76,401</u>
Total governmental activities depreciation expense	<u>\$ 154,270</u>
Business type activities:	
Food services	<u>\$ 6,330</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Reduction	Balance End of Year	Due Within One Year
Governmental activities:					
Contract payable	\$ 99,571	-	29,871	69,700	29,871
Computer lease	-	339,031	94,587	244,444	96,393
Compensated absences	-	1,604	-	1,604	1,604
Early retirement	-	69,427	-	69,427	69,427
Net OPEB liability	24,971	17,075	-	42,046	-
Total	<u>\$ 124,542</u>	<u>427,137</u>	<u>124,458</u>	<u>427,221</u>	<u>197,295</u>
Business type activities					
Net OPEB liability	<u>\$ 640</u>	<u>629</u>	<u>-</u>	<u>1,269</u>	<u>-</u>

Contract Payable

During the year ended June 30, 2009, the District entered into a contract for lighting improvements. The contract is payable from the Capital Projects: Physical Plant and Equipment Levy account. Details of the District's June 30, 2012 indebtedness is as follows:

Year Ending June 30,	Contract payable Principal
2013	\$ 29,871
2014	29,871
2015	<u>9,958</u>
Total	<u>\$ 69,700</u>

Computer Lease

Details of the District's June 30, 2012 computer lease indebtedness is as follows:

Year Ending June 30,	Computer lease of June 15, 2011			
	Interest Rate	Principal	Interest	Total
2013	1.90%	\$ 96,393	4,189	100,582
2014	1.90%	98,233	2,349	100,582
2015	1.90%	49,818	473	50,291
Total		\$ 244,444	7,011	251,455

Early Retirement

The District offered a voluntary early retirement plan to its certified employees during fiscal year 2012. Eligible employees must be at least age fifty-five and employees must have completed twelve years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

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

(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 contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$157,955, \$133,935, and \$116,399, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 40 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 22,878
Interest on net OPEB obligation	640
Adjustment to annual required contribution	(2,080)
Annual OPEB cost	<u>21,438</u>
Contributions made	<u>(3,734)</u>
Increase in net OPEB obligation	17,704
Net OPEB obligation beginning of year	<u>25,611</u>
Net OPEB obligation end of year	<u><u>\$ 43,315</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the ended June 30, 2012, the District contributed \$3,734 to the medical plan. Plan members eligible for benefits contributed \$12,346 of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 20,404	33.37%	\$ 13,595
2011	20,314	40.85%	25,611
2012	21,438	17.42%	43,315

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 \$157,291, with no actuarial value of assets, resulting in an

unfunded actuarial accrued liability (UAAL) of \$157,291. The covered payroll (annual payroll of active employees covered by the plan) was \$2,360,607 and the ratio of UAAL to covered payroll was 6.7%. 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of 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 and a health cost trend rate of 6% per year

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000. The UAAL is being amortized as a level percentage projected payroll expense on an open basis over 30 years.

(9) Risk Management

The District is a member in the Iowa Star Schools Employees Benefits Health Plan, an Iowa Code Chapter 28E organization. Iowa Star Schools was set up for the purpose of managing and funding employee benefits. Iowa Star Schools provides coverage and protection in the following categories: medical. District contributions to Iowa Star Schools for the year ended June 30, 2012 were \$370,601.

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The

District's actual amount for this purpose totaled \$122,861 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) Operating Lease Commitment

The District entered into a contract to lease copiers in June 2011. The payments the District will make over the next 5 years are as follows:

Year Ending June 30,	Lease Payment
2013	\$ 6,894
2014	6,894
2015	6,894
2016	6,894
2017	575
Total	<u>\$ 28,151</u>

(12) Categorical Funding

The District's ending restricted balance for categorical funding as of the year ended June 30, 2012 is comprised of the following programs:

Program	Amount
Dropout and dropout prevention	\$ 30,568
Beginning teacher mentoring and induction program	664
Teacher salary supplement	83,318
Professional development	18,235
Model core curriculum	20,383
Total	<u>\$ 153,168</u>

REQUIRED SUPPLEMENTARY INFORMATION

RICEVILLE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,416,776	96,102	2,512,878	2,765,500	2,765,500	(252,622)
State sources	1,031,198	1,519	1,032,717	1,123,178	1,123,178	(90,461)
Federal sources	278,616	63,783	342,399	225,000	225,000	117,399
Total revenues	3,726,590	161,404	3,887,994	4,113,678	4,113,678	(225,684)
Expenditures/expenses:						
Instruction	2,734,918	-	2,734,918	2,807,000	2,807,000	72,082
Support services	1,358,747	19,798	1,378,545	1,631,000	1,781,000	402,455
Non-instructional	1,650	156,412	158,062	190,000	190,000	31,938
Other expenditures	295,636	-	295,636	641,681	641,681	346,045
Total expenditures/expenses	4,390,951	176,210	4,567,161	5,269,681	5,419,681	852,520
Excess(deficiency) of revenues over(under) expenditures/expenses	(664,361)	(14,806)	(679,167)	(1,156,003)	(1,306,003)	626,836
Other financing uses, net	572,928	(100)	572,828	-	-	572,828
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(91,433)	(14,906)	(106,339)	(1,156,003)	(1,306,003)	1,199,664
Balance beginning of year	2,150,084	86,071	2,236,155	2,405,411	2,405,411	(169,256)
Balance end of year	\$ 2,058,651	71,165	2,129,816	1,249,408	1,099,408	1,030,408

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

RICEVILLE 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as 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 functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing the budget expenditures by \$150,000.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 187,657	187,657	0.0%	\$ 2,567,079	7.3%
2011	July 1, 2009	-	178,423	178,423	0.0%	2,631,601	6.8%
2012	July 1, 2009	-	157,291	157,291	0.0%	2,360,607	6.7%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

RICEVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue		Total
	Student Activity	Debt Service Fund	
REVENUES:			
Local sources:			
Other	\$ 111,599	-	111,599
TOTAL REVENUES	111,599	-	111,599
EXPENDITURES:			
Current:			
Instruction:			
Other	114,861	-	114,861
Long-term debt:			
Principal	-	124,458	124,458
Interest and fiscal charges	-	5,995	5,995
TOTAL EXPENDITURES	114,861	130,453	245,314
Deficiency of revenues under expenditures	(3,262)	(130,453)	(133,715)
OTHER FINANCING SOURCES(USES):			
Transfer in	-	130,453	130,453
Transfer out	(14,931)	-	(14,931)
TOTAL OTHER FINANCING SOURCES(USES)	(14,931)	130,453	115,522
Net change in fund balances	(18,193)	-	(18,193)
Fund balance beginning of year	72,897	-	72,897
Fund balance end of year	\$ 54,704	-	54,704

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

RICEVILLE 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	\$ 476,623	298,638	775,261
Receivables:			
Property tax:			
Delinquent	-	1,154	1,154
Succeeding year	-	135,088	135,088
Income surtax	-	66,099	66,099
Due from other governments	40,488	-	40,488
TOTAL ASSETS	\$ 517,111	500,979	1,018,090
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	3,401	3,401
Deferred revenue:			
Succeeding year property tax	-	135,088	135,088
Income surtax	-	66,099	66,099
Total Liabilities	-	204,588	204,588
Fund balances:			
Restricted for:			
School infrastructure	517,111	-	517,111
Physical plant and equipment	-	296,391	296,391
Total fund balances	517,111	296,391	813,502
TOTAL LIABILITIES AND FUND BALANCES	\$ 517,111	500,979	1,018,090

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

RICEVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT 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	\$ 213,359	174,125	387,484
Other	1,686	3,746	5,432
State sources	-	21	21
TOTAL REVENUES	<u>215,045</u>	<u>177,892</u>	<u>392,937</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	-	339,031	339,031
Support services:			
Instructional	-	78,796	78,796
Operation and maintenance of plant	-	37,263	37,263
Transportation	-	45,232	45,232
Capital outlay	31,950	10,372	42,322
TOTAL EXPENDITURES	<u>31,950</u>	<u>510,694</u>	<u>542,644</u>
Excess(Deficiency) of revenues over(under) expenditures	183,095	(332,802)	(149,707)
OTHER FINANCING USES:			
Transfer out	-	(130,453)	(130,453)
Computer lease proceeds	-	339,031	339,031
TOTAL OTHER FINANCING USES	<u>-</u>	<u>208,578</u>	<u>208,578</u>
Net change in fund balance	183,095	(124,224)	58,871
Fund balance beginning of year	<u>334,016</u>	<u>420,615</u>	<u>754,631</u>
Fund balance end of year	<u>\$ 517,111</u>	<u>296,391</u>	<u>813,502</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

RICEVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Annual	\$ 1,568	3,625	5,193	-	-
Athletics	-	48,279	44,866	-	3,413
Wrestling	618	526	665	-	479
Girls basketball	59	1,548	1,434	-	173
Volleyball	127	-	-	-	127
Boys basketball	867	765	1,628	-	4
Softball	466	2,400	2,451	-	415
Baseball	2,436	2,168	4,285	-	319
Cheerleaders	596	1,850	1,163	-	1,283
Class of 2010	68	-	-	-	68
Class of 2011	1,222	-	225	-	997
Class of 2012	2,166	-	1,290	-	876
Class of 2013	2,399	12	1,489	-	922
Class of 2014	2,207	390	97	-	2,500
Class of 2015	4,504	-	-	-	4,504
Class of 2016	409	478	212	-	675
Class of 2017	642	1,403	757	-	1,288
Class of 2018	-	1,278	724	-	554
Future Farmers of America	19,337	36,063	30,926	-	24,474
Honor society	239	1,073	1,160	-	152
Junior high library	1,397	-	-	(1,397)	-
Vocal music	341	1,391	1,650	-	82
Instrumental music	1,363	3,011	2,193	-	2,181
Resale:					
Shop	515	-	-	(515)	-
Vocational agriculture	341	422	422	(341)	-
Spanish class	34	-	-	(34)	-
Special plans	11,098	28	-	(11,098)	28
Business ed	1,090	-	-	(1,090)	-
Food and fitness	4,078	3,648	705	-	7,021
Art	174	-	-	(174)	-
Cornbowl conference	9,682	550	10,232	-	-
Speech and forensics	1,394	500	694	-	1,200
Video production	67	-	-	(67)	-
High school student council	709	191	400	-	500
Middle school student council	107	-	-	-	107
Intro to manufacturing	54	-	-	(54)	-
Electrathon	157	-	-	(157)	-
Senior graduation account	362	-	-	-	362
Foods class	4	-	-	(4)	-
Total	\$ 72,897	111,599	114,861	(14,931)	54,704

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

RICEVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2012

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ -	110	-	110
LIABILITIES				
Due to other groups	\$ -	110	-	110

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

RICEVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES/EXPENSES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 2,043,871	2,396,828	2,334,839	2,519,592	2,705,572	2,348,961	2,104,770	2,007,868	1,876,077
Tuition	127,393	255,777	321,711	294,574	223,692	216,260	195,239	156,087	108,229
Other	245,512	372,365	195,779	233,950	333,642	287,410	282,852	218,016	178,441
Intermediate sources	-	200	-	-	-	-	-	-	-
State sources	1,031,198	1,052,284	970,325	1,310,646	1,237,468	1,467,065	1,289,154	1,403,190	1,262,474
Federal sources	278,616	204,632	498,218	234,132	168,379	170,134	205,730	169,805	194,987
Total	\$ 3,726,590	4,282,086	4,320,872	4,592,894	4,668,753	4,489,830	4,077,745	3,954,966	3,620,208
Expenditures:									
Current:									
Instruction:									
Regular	\$ 1,779,766	1,485,366	1,369,358	1,492,566	1,629,605	1,582,941	1,454,349	1,452,958	1,547,523
Special	346,918	428,050	428,948	458,464	253,381	573,884	419,474	368,598	272,466
Other	608,234	598,916	607,324	673,248	584,317	267,974	485,726	423,577	464,293
Support services:									
Student	70,152	56,262	54,092	81,566	80,494	79,853	92,833	117,210	111,184
Instructional staff	167,673	134,975	118,631	65,479	132,113	102,340	81,403	108,739	70,667
Administration	364,499	525,005	402,403	403,636	412,417	508,308	475,289	488,844	492,758
Operation and maintenance of plant	482,809	354,828	346,494	483,832	425,216	408,681	376,840	371,090	317,152
Transportation	273,614	215,008	201,150	227,922	399,862	340,750	367,977	269,025	232,706
Central support	-	-	-	-	-	-	-	97,791	1,986
Non-instructional programs	1,650	-	-	2,067	8,735	-	-	-	8,611
Capital outlay	42,322	346,132	76,967	194,779	512,096	268,998	299,453	180,233	151,943
Long-term debt:									
Principal	124,458	29,871	29,871	29,871	19,914	-	-	-	-
Interest and fiscal charges	5,995	-	-	-	-	-	-	-	-
Other expenditures:									
AEA flow-through	122,861	140,441	140,036	133,475	130,693	131,731	127,246	128,100	130,590
Total	\$ 4,390,951	4,314,854	3,775,274	4,246,905	4,588,843	4,265,460	4,180,590	4,006,165	3,801,879

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of the
Riceville Community School District:

We have audited the accompanying financial statements of the governmental activities, the Business type activities, each major fund and the aggregate remaining fund information of Riceville Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 22, 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 Riceville Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Riceville Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Riceville Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Riceville Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies 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 deficiency in the internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-12 and I-C-12 to be significant deficiencies.

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Compliance and Other Matters

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

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.

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2013

RICEVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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

Response - We will continue to review our procedures and implement additional control where possible.

Conclusion - Response accepted.

I-B-12 Gate Admissions - It was noted that the District does not use pre-numbered tickets for all events that requires an admission.

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

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.

- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - We will work with the departments and put procedures and practices in place.

Conclusion - Response accepted.

I-C-12 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for non-certified coaches.

Recommendation - In an effort to comply with the Department of Labor requirements on wage per hour contracts, the District should keep track of the hours worked for non-certified staff coaches.

Response - We will implement procedures to track non-certified hourly coaches.

Conclusion - Response accepted.

RICEVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-12 Certified Budget - District disbursements for the year ended June 30, 2012, did not exceed the amount budgeted.
- II-B-12 Questionable Disbursements - We noted during our audit that the District purchased a gift card which was given to the commencement speaker. Giving cash or gift certificates/cards do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.
- Recommendation - The District should review the procedures in place and make necessary adjustments to comply.
- Response - We will implement procedures and inform staff this is not an allowable expense.
- Conclusion - Response accepted.
- II-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-12 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-12 Certified Enrollment - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 Deposits and Investments - We noted no instances on noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted, except that the District exceeded the maximum dollar deposit amount on its depository resolution.
- Recommendation - The District should increase the maximum dollar deposit amount listed on the depository resolution.
- Response - The district has already increased our amount.
- Conclusion - Response accepted.
- II-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the following information includes the amounts the District reported for the Statewide Sales, Services and Use Tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit:

Beginning balance		\$	334,016
Revenues:			
Sales tax revenues	\$	213,359	
Other local revenues		<u>1,686</u>	<u>215,045</u>
			549,061
Expenditures/transfers out:			
School infrastructure construction			<u>31,950</u>
Ending balance		\$	<u><u>517,111</u></u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-12 DJ Contract - We noted during our audit that the High School Secretary signed a contract with a DJ company to provide services for prom. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered by the District

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

Response - New procedures have been implemented to ensure contracts are signed by the board president.

Conclusion - Response accepted.