

RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Riverside Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education
(Before September 2011 Election)**

Greg Hansen	President	2011
Murray Fenn	Vice President	2013
Tom Novotny	Board Member	2011
Mark Beedle	Board Member	2013
Phil Reed	Board Member	2013
Dan Ives	Board Member	2011
Jeff Buckingham	Board Member	2011

**Board of Education
(After September 2011 Election)**

Greg Hansen	President	2015
Murray Fenn	Vice President	2013
Matt Bowen	Board Member	2015
Mark Beedle	Board Member	2013
Phil Reed	Board Member	2013
Dan Ives	Board Member	2015
Jeff Buckingham	Board Member	2015

School Officials

Dr. James Sutton	Superintendent	2012
Tim Blum	Business Manager/ District Treasurer	2012
Marilyn Mickey	Board Secretary	2012
Joe Thorton	Attorney	2012

RIVERSIDE

CARSON-MACEDONIA-OAKLAND

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
Riverside Community School District:

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2013 on our consideration of Riverside Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 Riverside Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not expressed herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 19, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Riverside Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$6,746,698 in fiscal 2011 to \$6,735,184 in fiscal 2012, while General Fund expenditures increased from \$6,321,346 in fiscal 2011 to \$6,586,331 in fiscal 2012. Revenues outpaced expenditures resulting in an increase in the District's General Fund balance from \$1,143,039 at June 30, 2011 to \$1,291,892 at June 30, 2012.
- The increase in General Fund revenues was largely attributable to increased state source revenues. The increase in expenditures occurred primarily in the instruction 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 Riverside Community School District as a whole and present an overall view of the District's finances.

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

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

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

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.

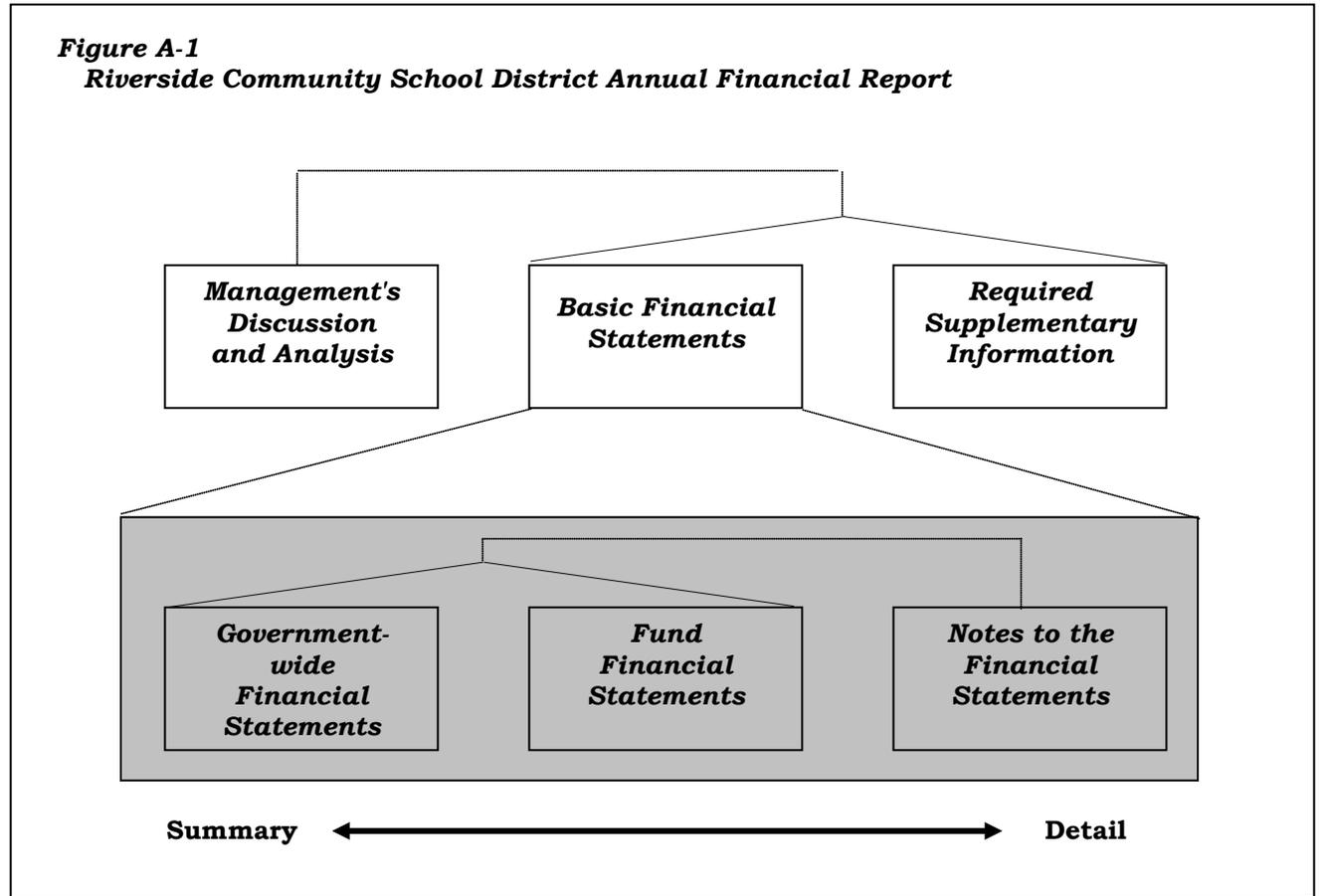


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in 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 three kinds of funds:

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

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for the proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

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

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

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

The required financial statements for fiduciary funds include the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 8,339,080	7,894,223	22,211	38,672	8,361,291	7,932,895	5.40%
Capital assets	2,850,945	3,031,340	25,620	29,692	2,876,565	3,061,032	-6.03%
Total assets	11,190,025	10,925,563	47,831	68,364	11,237,856	10,993,927	2.22%
Long-term obligations	909,820	762,857	40,704	26,659	950,524	789,516	20.39%
Other liabilities	3,685,524	3,639,186	7,999	11,765	3,693,523	3,650,951	1.17%
Total liabilities	4,595,344	4,402,043	48,703	38,424	4,644,047	4,440,467	4.58%
Net assets:							
Invested in capital assets, net of related debt	2,850,945	3,031,340	25,620	29,692	2,876,565	3,061,032	-6.03%
Restricted	3,182,360	2,893,627	-	-	3,182,360	2,893,627	9.98%
Unrestricted	561,376	598,553	(26,492)	248	534,884	598,801	-10.67%
Total net assets	\$ 6,594,681	6,523,520	(872)	29,940	6,593,809	6,553,460	0.62%

The District's combined net assets increased by 0.62%, or \$40,349, from the prior year. A large portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$288,733, or 9.98% from the prior year. The increase was primarily a result of the increase in fund balance for the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$63,917 or 10.67%. This decrease in unrestricted net assets was primarily a result of the decline in net assets in the proprietary funds during the year.

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

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 365,433	239,389	230,714	233,984	596,147	473,373	25.94%
Operating grants, contributions and restricted interest	516,535	591,304	162,961	156,951	679,496	748,255	-9.19%
General revenues:							
Property tax	3,037,391	3,257,864	-	-	3,037,391	3,257,864	-6.77%
Income surtax	259,040	333,703	-	-	259,040	333,703	-22.37%
Statewide sales, services and use tax	598,598	611,126	-	-	598,598	611,126	-2.05%
Unrestricted state grants	2,708,555	2,438,829	-	-	2,708,555	2,438,829	11.06%
Nonspecific program federal grants	78,788	120,995	-	-	78,788	120,995	-34.88%
Unrestricted investment earnings	17,784	26,955	190	192	17,974	27,147	-33.79%
Other	140,973	217,358	2,361	3,016	143,334	220,374	-34.96%
Total revenues	<u>7,723,097</u>	<u>7,837,523</u>	<u>396,226</u>	<u>394,143</u>	<u>8,119,323</u>	<u>8,231,666</u>	<u>-1.36%</u>
Program expenses:							
Governmental activities:							
Instruction	5,012,969	4,807,135	-	-	5,012,969	4,807,135	4.28%
Support services	2,253,552	2,362,877	1,725	610	2,255,277	2,363,487	-4.58%
Non-instructional programs	-	-	425,313	415,358	425,313	415,358	2.40%
Other expenses	385,415	416,995	-	-	385,415	416,995	-7.57%
Total expenses	<u>7,651,936</u>	<u>7,587,007</u>	<u>427,038</u>	<u>415,968</u>	<u>8,078,974</u>	<u>8,002,975</u>	<u>0.95%</u>
Changes in net assets	71,161	250,516	(30,812)	(21,825)	40,349	228,691	82.36%
Net assets beginning of year, as restated	<u>6,523,520</u>	<u>6,273,004</u>	<u>29,940</u>	<u>51,765</u>	<u>6,553,460</u>	<u>6,324,769</u>	<u>3.62%</u>
Net assets end of year	<u>\$ 6,594,681</u>	<u>6,523,520</u>	<u>(872)</u>	<u>29,940</u>	<u>6,593,809</u>	<u>6,553,460</u>	<u>0.62%</u>

In fiscal 2012, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 85.50% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.36% of the revenue from business type activities.

The District's total revenues were approximately \$8.12 million, of which approximately \$7.72 million was for governmental activities and approximately \$0.40 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.36% decrease in revenues and a 0.95% increase in expenses. Unrestricted state grants increased \$269,726 to help fund the increase in expenditures.

Governmental Activities

Revenues for governmental activities were \$7,723,097 and expenses were \$7,651,936 for the year ended June 30, 2012.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses for the year ended June 30, 2012 compared to the year ended June 30, 2011.

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 5,012,969	4,807,135	4.28%	4,373,956	4,256,005	2.77%
Support services	2,253,552	2,362,877	-4.63%	2,252,957	2,354,725	-4.32%
Other expenses	385,415	416,995	-7.57%	143,055	145,584	-1.74%
Totals	\$ 7,651,936	7,587,007	0.86%	6,769,968	6,756,314	0.20%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$365,433.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$516,535.
- The net cost of governmental activities was financed with \$3,037,391 in property tax, \$259,040 in income surtax, \$598,598 in statewide sales, services and use tax, \$2,708,555 in unrestricted state grants, \$78,788 in nonspecific program federal grants, \$17,784 in interest income and \$140,973 in other general revenues.

Business Type Activities

Revenues of business type activities for the year ended June 30, 2012 were \$396,226 representing a 0.53% increase from the prior year, while expenses totaled \$427,038, a 2.66% increase from the prior year. The District's business type activities include the School Nutrition Fund, Day Care Fund and the Farming Operation Fund. Revenues of these activities were largely comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,347,217, above last year's ending fund balances of \$3,913,915. The increase in ending fund balances could be attributed to the increases in the General Fund and Capital Projects: Statewide Sales, Services and Use Tax Fund balances in fiscal 2012.

Governmental Fund Highlights

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

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

- The Capital Projects Fund balance increased from \$2,355,825 at June 30, 2011 to \$2,636,555 at June 30, 2012. Decreased spending for capital outlays when compared to the prior year was the main cause for the improvement in fund balance. The Statewide Sales, Services and Use Tax Fund balance increased \$241,805 when compared to the previous year. The Physical Plant and Equipment Levy Fund balance increased \$38,925 when compared to the previous year

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$12,056 at June 30, 2011 to \$11,322 at June 30, 2012, representing a decrease of 6.09%. Increased revenue from federal sources helped offset the reduction in lunches sold to keep total revenues very comparable to the prior year; however, total expenses increased contributing to the decline in fund balance.

The Day Care Fund net assets decreased from \$17,884 at June 30, 2011 to a deficit balance of \$1,966 at June 30, 2012. Revenues remained very comparable and expenses decreased when compared to the prior year; however, expenses outpaced revenues ensuring the decline in fund balance.

During the year ended June 30, 2012, the District created an enterprise fund to account for activities associated with a farming operation involving the FFA. The District purchased farmland in the prior year with the intention of building new facilities and decided to farm it until bond measures can be passed and construction begun. As it is the initial year for the Farming Operation Fund and no revenues had yet been generated, the fund balance was deficit \$10,228 at June 30, 2012, representing outlays for chemicals and fertilizer in the spring.

BUDGETARY HIGHLIGHTS

The District's revenues were \$62,207 more than budgeted revenues, a variance of 0.77%. The most significant variance resulted from the District receiving more from federal sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and support services functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$2,876,565, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 6.03% from the prior year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$188,955.

The original cost of the District's capital assets was \$8,432,818. Governmental funds account for \$8,351,388 with the remainder of \$81,430 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$134,582 at June 30, 2011, compared to \$91,549 reported at June 30, 2012. This decrease was due to the depreciation expense recognized during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 491,505	491,505	-	-	491,505	491,505	0.00%
Buildings	2,081,519	2,208,480	-	-	2,081,519	2,208,480	-5.75%
Land improvements	211,992	226,465	-	-	211,992	226,465	-6.39%
Machinery and equipment	65,929	104,890	25,620	29,692	91,549	134,582	-31.98%
Total	\$ 2,850,945	3,031,340	25,620	29,692	2,876,565	3,061,032	-6.03%

Long-Term Debt

At June 30, 2012, the District had \$950,524. in total long-term liabilities. This represents an increase of 20.39% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had a computer lease payable of \$15,821 at June 30, 2012.

The District had early retirement benefits payable of \$238,281 at June 30, 2012.

The District had compensated absences payable of \$7,705 at June 30, 2012.

The District's net OPEB liability at June 30, 2012 was \$688,717.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Computer lease	\$ 15,821	31,130	-	-	15,821	31,130	-49.18%
Laptop lease	-	8,971	-	-	-	8,971	-100.00%
Early retirement	238,281	280,002	-	-	238,281	280,002	-14.90%
Compensated Absences	7,705	18,343	-	-	7,705	18,343	-57.99%
Net OPEB liability	648,013	424,411	40,704	26,659	688,717	451,070	52.69%
Total	\$ 909,820	762,857	40,704	26,659	950,524	789,516	20.39%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Due to the challenging economic environment facing the District, including budget concerns at the state level, the District will be forced to continue to explore all opportunities to reduce expenditures and/or increase revenues.
- Open enrollment continues to eat into District funding as the number of resident students open enrolled out far exceeded non-resident students open enrolled in.
- Low allowable growth over several years and enrollment issues are negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- On July 1, 2012, the IPERS employer contribution increase to 8.67% will increase the Riverside Community School District's employer benefit costs during fiscal 2013. An additional increase to 8.93% is anticipated for fiscal 2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,734,526	9,028	4,743,554
Receivables:			
Property tax:			
Delinquent	32,635	-	32,635
Succeeding year	3,028,589	-	3,028,589
Income surtax	288,376	-	288,376
Due from other governments	254,954	-	254,954
Inventories	-	13,183	13,183
Capital assets, net of accumulated depreciation	2,850,945	25,620	2,876,565
Total assets	11,190,025	47,831	11,237,856
Liabilities			
Accounts payable	104,631	-	104,631
Salaries and benefits payable	528,427	4,619	533,046
Interest payable	375	-	375
Deferred revenue:			
Succeeding year property tax	3,028,589	-	3,028,589
Other	23,502	-	23,502
Unearned revenue	-	3,380	3,380
Long-term liabilities:			
Portion due within one year:			
Computer lease	15,821	-	15,821
Early retirement	49,513	-	49,513
Compensated absences	7,705	-	7,705
Portion due after one year:			
Early retirement	188,768	-	188,768
Net OPEB liability	648,013	40,704	688,717
Total liabilities	4,595,344	48,703	4,644,047
Net Assets			
Invested in capital assets, net of related debt	2,850,945	25,620	2,876,565
Restricted for:			
Categorical Funding	364,008	-	364,008
Management levy purposes	89,593	-	89,593
Student activities	92,204	-	92,204
School infrastructure	2,516,496	-	2,516,496
Physical plant and equipment	120,059	-	120,059
Unrestricted	561,376	(26,492)	534,884
Total net assets	\$ 6,594,681	(872)	6,593,809

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue		Total
	Expenses	Charges for Services	Operating Grants, and Restricted Contributions Interest	and Changes in Net Assets		
				Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,104,160	173,910	41,562	(2,888,688)	-	(2,888,688)
Special	889,071	29,039	42,161	(817,871)	-	(817,871)
Other	1,019,738	162,484	189,857	(667,397)	-	(667,397)
	<u>5,012,969</u>	<u>365,433</u>	<u>273,580</u>	<u>(4,373,956)</u>	<u>-</u>	<u>(4,373,956)</u>
Support services:						
Student	137,965	-	-	(137,965)	-	(137,965)
Instructional staff	96,699	-	595	(96,104)	-	(96,104)
Administration	813,508	-	-	(813,508)	-	(813,508)
Operation and maintenance of plant	833,610	-	-	(833,610)	-	(833,610)
Transportation	371,770	-	-	(371,770)	-	(371,770)
	<u>2,253,552</u>	<u>-</u>	<u>595</u>	<u>(2,252,957)</u>	<u>-</u>	<u>(2,252,957)</u>
Long-term debt interest	1,621	-	-	(1,621)	-	(1,621)
Other expenses:						
AEA flowthrough	242,360	-	242,360	-	-	-
Depreciation(unallocated)*	141,434	-	-	(141,434)	-	(141,434)
	<u>383,794</u>	<u>-</u>	<u>242,360</u>	<u>(141,434)</u>	<u>-</u>	<u>(141,434)</u>
Total governmental activities	<u>7,651,936</u>	<u>365,433</u>	<u>516,535</u>	<u>(6,769,968)</u>	<u>-</u>	<u>(6,769,968)</u>
Business type activities:						
Support services:						
Operation and maintenance of plant	1,725	-	-	-	(1,725)	(1,725)
Non-instructional programs:						
Food service operations	304,672	141,924	162,961	-	213	213
Other enterprise operations	10,228	88,790	-	-	78,562	78,562
Community service operations	110,413	-	-	-	(110,413)	(110,413)
	<u>425,313</u>	<u>230,714</u>	<u>162,961</u>	<u>-</u>	<u>(31,638)</u>	<u>(31,638)</u>
Total business type activities	<u>427,038</u>	<u>230,714</u>	<u>162,961</u>	<u>-</u>	<u>(33,363)</u>	<u>(33,363)</u>
Total	<u>\$ 8,078,974</u>	<u>596,147</u>	<u>679,496</u>	<u>(6,769,968)</u>	<u>(33,363)</u>	<u>(6,803,331)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,935,593	-	2,935,593
Capital outlay				101,798	-	101,798
Income surtax				259,040	-	259,040
Statewide sales, services and use tax				598,598	-	598,598
Unrestricted state grants				2,708,555	-	2,708,555
Nonspecific program federal grants				78,788	-	78,788
Unrestricted investment earnings				17,784	190	17,974
Other general revenues				140,973	2,361	143,334
Total general revenues				<u>6,841,129</u>	<u>2,551</u>	<u>6,843,680</u>
Change in net assets				71,161	(30,812)	40,349
Net assets beginning of year				6,523,520	29,940	6,553,460
Net assets end of year				<u>\$ 6,594,681</u>	<u>(872)</u>	<u>6,593,809</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Capital			Total
	General	Projects	Nonmajor	
Assets				
Cash and pooled investments	\$ 1,756,974	2,541,846	417,368	4,716,188
Receivables:				
Property tax:				
Delinquent	29,912	1,114	1,609	32,635
Succeeding year	2,842,989	105,600	80,000	3,028,589
Income surtax	288,376	-	-	288,376
Due from other governments	159,976	94,978	-	254,954
Total assets	\$ 5,078,227	2,743,538	498,977	8,320,742
Liabilities and fund Balances				
Liabilities:				
Accounts payable	\$ 103,041	1,383	207	104,631
Salaries and benefits payable	528,427	-	-	528,427
Deferred revenue:				
Succeeding year property tax	2,842,989	105,600	80,000	3,028,589
Income surtax	288,376	-	-	288,376
Other	23,502	-	-	23,502
Total liabilities	3,786,335	106,983	80,207	3,973,525
Fund balances:				
Restricted for:				
Categorical Funding	364,008	-	-	364,008
Management levy purposes	-	-	327,874	327,874
Student activities	-	-	92,204	92,204
School infrastructure	-	2,516,496	-	2,516,496
Physical plant and equipment levy	-	120,059	-	120,059
Unassigned:				
General	927,884	-	-	927,884
Student activities	-	-	(1,308)	(1,308)
Total fund balances	1,291,892	2,636,555	418,770	4,347,217
Total liabilities and fund balances	\$ 5,078,227	2,743,538	498,977	8,320,742

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE 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)	\$	4,347,217
 Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		2,850,945
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(375)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		18,338
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		288,376
Long-term liabilities, including leases payable, early retirement payable, compensated absences payable, and other postemployment benenefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(909,820)</u>
Net assets of governmental activities(page 18)	\$	<u>6,594,681</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Capital			Total
	General	Projects	Nonmajor	
Revenues:				
Local sources:				
Local tax	\$ 3,074,578	700,396	149,823	3,924,797
Tuition	121,430	-	-	121,430
Other	235,298	10,373	157,089	402,760
State sources	3,077,937	-	-	3,077,937
Federal sources	225,941	-	-	225,941
Total revenues	<u>6,735,184</u>	<u>710,769</u>	<u>306,912</u>	<u>7,752,865</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,943,175	-	1,293	2,944,468
Special	842,896	-	-	842,896
Other	861,693	-	140,248	1,001,941
	<u>4,647,764</u>	<u>-</u>	<u>141,541</u>	<u>4,789,305</u>
Support services:				
Student	132,448	-	-	132,448
Instructional staff	95,387	-	-	95,387
Administration	696,139	-	78,165	774,304
Operation and maintenance of plant	434,405	55,248	83,487	573,140
Transportation	337,828	-	-	337,828
	<u>1,696,207</u>	<u>55,248</u>	<u>161,652</u>	<u>1,913,107</u>
Capital outlay	-	348,527	-	348,527
Long-term debt:				
Principal	-	-	24,280	24,280
Interest and fiscal charges	-	-	1,984	1,984
	<u>-</u>	<u>-</u>	<u>26,264</u>	<u>26,264</u>
Other expenditures:				
AEA flowthrough	242,360	-	-	242,360
Total expenditures	<u>6,586,331</u>	<u>403,775</u>	<u>329,457</u>	<u>7,319,563</u>
Excess(deficiency) of revenues over(under)expenditures	148,853	306,994	(22,545)	433,302
Other financing sources(uses):				
Operating transfers in	-	-	26,264	26,264
Operating transfers out	-	(26,264)	-	(26,264)
Total other financing sources(uses)	<u>-</u>	<u>(26,264)</u>	<u>26,264</u>	<u>-</u>
Net change in fund balances	148,853	280,730	3,719	433,302
Fund balances beginning of year	<u>1,143,039</u>	<u>2,355,825</u>	<u>415,051</u>	<u>3,913,915</u>
Fund balances end of year	<u>\$ 1,291,892</u>	<u>2,636,555</u>	<u>418,770</u>	<u>4,347,217</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 22) \$ 433,302

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

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

Capital outlays	\$ 4,488	
Depreciation expense	(184,883)	(180,395)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 24,280

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 363

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (29,768)

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

Compensated absences	10,638	
Early retirement	41,721	
Other postemployment benefits	(223,602)	(171,243)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (5,378)

Changes in net assets of governmental activities(page 19) \$ 71,161

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business Type Activities:				Governmental
	Nonmajor Enterprise Funds			Total	Activities: Internal
	School Nutrition	Day Care	Farming Operation		Service Fund
Assets					
Cash and cash equivalents	\$ 7,868	11,388	-	19,256	18,338
Inventories	13,183	-	-	13,183	-
Capital assets, net of accumulated depreciation	25,620	-	-	25,620	-
Total assets	46,671	11,388	-	58,059	18,338
Liabilities					
Excess warrants over bank balance	-	-	10,228	10,228	-
Salaries and benefits payable	1,252	3,367	-	4,619	-
Unearned revenues	3,380	-	-	3,380	-
Net OPEB liability	30,717	9,987	-	40,704	-
Total liabilities	35,349	13,354	10,228	58,931	-
Net Assets					
Invested in capital assets	25,620	-	-	25,620	-
Unrestricted	(14,298)	(1,966)	(10,228)	(26,492)	18,338
Total net assets	\$ 11,322	(1,966)	(10,228)	(872)	18,338

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:				Governmental
	Nonmajor				Activities:
	Enterprise Funds				Internal
	School	Day	Farming	Total	Service
	Nutrition	Care	Operation		Fund
Operating revenues:					
Local sources:					
Charges for services	\$ 141,924	88,790	-	230,714	11,560
Miscellaneous	761	1,600	-	2,361	-
Total operating revenues	<u>142,685</u>	<u>90,390</u>	<u>-</u>	<u>233,075</u>	<u>11,560</u>
Operating expenses:					
Support services:					
Administration:					
Services	-	-	-	-	16,938
Operation and maintenance of plant:					
Services	1,725	-	-	1,725	-
	<u>1,725</u>	<u>-</u>	<u>-</u>	<u>1,725</u>	<u>16,938</u>
Non-instructional programs:					
Food service operations:					
Salaries	115,859	-	-	115,859	-
Benefits	54,894	-	-	54,894	-
Services	427	-	-	427	-
Supplies	129,114	-	-	129,114	-
Depreciation	4,072	-	-	4,072	-
Other	306	-	-	306	-
	<u>304,672</u>	<u>-</u>	<u>-</u>	<u>304,672</u>	<u>-</u>
Other enterprise operations:					
Supplies	-	-	10,228	10,228	-
Community service operations:					
Salaries	-	87,942	-	87,942	-
Benefits	-	17,973	-	17,973	-
Services	-	38	-	38	-
Supplies	-	4,460	-	4,460	-
	<u>-</u>	<u>110,413</u>	<u>-</u>	<u>110,413</u>	<u>-</u>
Total operating expenses	<u>306,397</u>	<u>110,413</u>	<u>10,228</u>	<u>427,038</u>	<u>16,938</u>
Operating loss	<u>(163,712)</u>	<u>(20,023)</u>	<u>(10,228)</u>	<u>(193,963)</u>	<u>(5,378)</u>
Non-operating revenues:					
Interest income	17	173	-	190	-
State sources	3,113	-	-	3,113	-
Federal sources	159,848	-	-	159,848	-
Total non-operating revenues	<u>162,978</u>	<u>173</u>	<u>-</u>	<u>163,151</u>	<u>-</u>
Change in net assets	(734)	(19,850)	(10,228)	(30,812)	(5,378)
Net assets at beginning of year	<u>12,056</u>	<u>17,884</u>	<u>-</u>	<u>29,940</u>	<u>23,716</u>
Net assets end of year	<u>\$ 11,322</u>	<u>(1,966)</u>	<u>(10,228)</u>	<u>(872)</u>	<u>18,338</u>

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business Type Activities:				Governmental
	Non Major			Total	Activities:
	Enterprise Funds				Internal
School Nutrition	Day Care	Farming Operation		Service Fund	
Cash flows from operating activities:					
Cash received from sale of lunches and breakfasts	\$ 142,678	-	-	142,678	-
Cash received from miscellaneous operating activities	761	90,390	-	91,151	11,560
Cash payments to employees for services	(160,721)	(105,236)	-	(265,957)	-
Cash payments to suppliers for goods or services	(120,853)	(5,684)	(10,228)	(136,765)	(16,938)
Net cash used in operating activities	(138,135)	(20,530)	(10,228)	(168,893)	(5,378)
Cash flows from non-capital financing activities:					
State grants received	3,113	-	-	3,113	-
Federal grants received	146,059	-	-	146,059	-
Net cash provided by non-capital financing activities	149,172	-	-	149,172	-
Cash flows from investing activities:					
Interest on investments	17	173	-	190	-
Net increase(decrease) in cash and cash equivalents	11,054	(20,357)	(10,228)	(19,531)	(5,378)
Cash and cash equivalents at beginning of year	(3,186)	31,745	-	28,559	23,716
Cash and cash equivalents at end of year	\$ 7,868	11,388	(10,228)	9,028	18,338
Reconciliation of operating loss to net cash used in operating activities:					
Operating loss	\$ (163,712)	(20,023)	(10,228)	(193,963)	(5,378)
Adjustments to reconcile operating loss to net cash used in operating activities:					
Commodities consumed	13,789	-	-	13,789	-
Depreciation	4,072	-	-	4,072	-
Increase in inventories	(3,070)	-	-	(3,070)	-
Decrease in accounts payable	-	(1,186)	-	(1,186)	-
Decrease in salaries and benefits payable	(567)	(2,767)	-	(3,334)	-
Increase in net OPEB liability	10,599	3,446	-	14,045	-
Increase in unearned revenue	754	-	-	754	-
Net cash used in operating activities	\$ (138,135)	(20,530)	(10,228)	(168,893)	(5,378)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received \$13,789 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 75,528
Liabilities	-
Net Assets	
Restricted for scholarships	\$ 75,528

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 1,607
Deductions:	
Instruction:	
Scholarships awarded	<u>1,000</u>
Change in net assets	607
Net assets beginning of year	<u>74,921</u>
Net assets end of year	<u>\$ 75,528</u>

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When and expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted

resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Unassigned - All amounts not included in the preceding classification.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the instruction and support services functional areas.

(2) **Cash and Pooled Investments**

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

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

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

(3) **Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 26,264

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

(4) **Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 81,430	-	-	81,430
Less accumulated depreciation	51,738	4,072	-	55,810
Business type activities capital assets, net	\$ 29,692	(4,072)	-	25,620

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 491,505	-	-	491,505
Total capital assets not being depreciated	491,505	-	-	491,505
Capital assets being depreciated:				
Buildings	7,505,361	-	1,112,921	6,392,440
Land improvements	289,437	-	-	289,437
Machinery and equipment	1,173,518	4,488	-	1,178,006
Total capital assets being depreciated	8,968,316	4,488	1,112,921	7,859,883
Less accumulated depreciation for:				
Buildings	5,296,881	126,961	1,112,921	4,310,921
Land improvements	62,972	14,473	-	77,445
Machinery and equipment	1,068,628	43,449	-	1,112,077
Total accumulated depreciation	6,428,481	184,883	1,112,921	5,500,443
Total capital assets being depreciated, net	2,539,835	(180,395)	-	2,359,440
Governmental activities capital assets, net	\$ 3,031,340	(180,395)	-	2,850,945

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 8,667
Other		1,101
Support services:		
Transportation		33,681
		43,449
Unallocated depreciation		141,434
Total governmental activities depreciation expense		\$ 184,883
Business type activities:		
Food service operations		\$ 4,072

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Computer lease	\$ 31,130	-	15,309	15,821	15,821
Laptop lease	8,971	-	8,971	-	-
Early Retirement	280,002	34,556	76,277	238,281	49,513
Compensated absences	18,343	7,705	18,343	7,705	7,705
Net OPEB liability	424,411	223,602	-	648,013	-
Total	\$ 762,857	265,863	118,900	909,820	73,039
Business type activities:					
Net OPEB liability	\$ 26,659	14,045	-	40,704	-

Computer Lease

During the year ended June 30, 2012, the District entered into a computer lease agreement. The lease bears an annual interest rate of 3.35% and is payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund. Details of the District's indebtedness under the lease agreement as of June 30, 2012 is as follows:

Year Ending June 30,	Computer lease issued September 23, 2010			
	Interest Rate	Principal	Interest	Total
2013	3.35 %	\$ 15,821	530	16,351

Early Retirement

The District offered a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-seven and must have completed ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives paid by the District include the premiums for a single health insurance coverage policy. The District paid out \$76,277 in benefits during the year and had a balance of \$238,281 at June 30, 2012.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$293,931, \$249,254 and \$240,328 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits(OPEB)

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

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

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

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

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

Annual required contribution	\$ 361,941
Interest on net OPEB obligation	11,277
Adjustment to annual required contribution	(34,971)
Annual OPEB cost	<u>338,247</u>
Contributions made	(100,600)
Increases in net OPEB obligation	<u>237,647</u>
Net OPEB obligation beginning of year	<u>451,070</u>
Net OPEB obligation end of year	<u><u>\$ 688,717</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 year ended June 30, 2012, the District contributed \$100,600 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2010	\$ 313,150	26.95%	\$ 228,756
2011	314,455	29.30%	451,070
2012	338,247	29.74%	688,717

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 \$2,501,798, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,501,798. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,223,417 and the ratio of the UAAL to covered payroll was 77.61%. 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

(8) Risk Management

The District is a member in the Iowa Star Schools Employees Benefits Health Plan, an Iowa Code Chapter 28E organization. Iowa Star Schools is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. Iowa Star Schools was set up for the purpose of managing and funding employee benefits. Iowa Star Schools provides coverage and protection in the following categories: medical. District contributions to Iowa Star for the year ended June 30, 2012 were \$591,752.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$242,360 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.

(10) Deficit Unrestricted Net Assets

The District had deficit unrestricted net assets in the Enterprise School Nutrition Fund of \$14,298, in the Day Care Fund of \$1,966 and in the Farming Operation Fund of \$10,228 at June 30, 2012. The District had four negative accounts within the Special Revenue, Student Activity Fund totaling \$1,308 at June 30, 2012.

(11) Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2012, expenditures in the instruction and support services functional areas exceeded the certified budget.

(12) Categorical Funding

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

Program	Amount
Limited English Proficient	\$ 15,798
Home School Assistance Program	1,141
Gifted and Talented Programs	39,524
Returning Dropouts and Dropout Prevention Programs	189,706
Four-year-old Preschool State Aid	8,765
Teacher Salary Supplement	17,223
Beginning Administrator Mentoring and Induction Programs	1,420
Professional Development for Model Core Curriculum	41,312
Professional Development	49,119
	<hr/>
Total	\$ 364,008
	<hr/> <hr/>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 4,448,987	233,265	4,682,252	4,860,479	4,860,479	(178,227)
State sources	3,077,937	3,113	3,081,050	3,096,405	3,096,405	(15,355)
Federal sources	225,941	159,848	385,789	130,000	130,000	255,789
Total revenues	<u>7,752,865</u>	<u>396,226</u>	<u>8,149,091</u>	<u>8,086,884</u>	<u>8,086,884</u>	<u>62,207</u>
Expenditures/Expenses:						
Instruction	4,789,305	-	4,789,305	4,660,000	4,660,000	(129,305)
Support services	1,913,107	1,725	1,914,832	1,680,000	1,680,000	(234,832)
Non-instructional programs	-	425,313	425,313	985,000	985,000	559,687
Other expenditures	617,151	-	617,151	2,726,361	2,726,361	2,109,210
Total expenditures/expenses	<u>7,319,563</u>	<u>427,038</u>	<u>7,746,601</u>	<u>10,051,361</u>	<u>10,051,361</u>	<u>2,304,760</u>
Excess(deficiency) of revenues over(under)expenditures/expenses	433,302	(30,812)	402,490	(1,964,477)	(1,964,477)	2,366,967
Balances beginning of year	3,913,915	29,940	3,943,855	3,797,974	3,797,974	145,881
Balances end of year	<u>\$ 4,347,217</u>	<u>(872)</u>	<u>4,346,345</u>	<u>1,833,497</u>	<u>1,833,497</u>	<u>2,512,848</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

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

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

During the year ended June 30, 2012, expenditures in the instruction and support services functional areas exceeded the amounts budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 2,827,303	2,827,303	0.00%	\$ 3,162,799	89.39%
2011	July 1, 2009	-	2,732,588	2,732,588	0.00%	3,471,585	78.71%
2012	July 1, 2009	-	2,501,798	2,501,798	0.00%	3,223,417	77.61%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 326,265	91,103	417,368
Receivables:			
Property tax:			
Delinquent	1,609	-	1,609
Succeeding year	80,000	-	80,000
Total assets	\$ 407,874	91,103	498,977
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	207	207
Deferred revenue:			
Succeeding year property tax	80,000	-	80,000
Total liabilities	80,000	207	80,207
Fund balances:			
Restricted for:			
Management levy purposes	327,874	-	327,874
Student activities	-	92,204	92,204
Unassigned	-	(1,308)	(1,308)
Total fund balances	327,874	90,896	418,770
Total liabilities and fund balances	\$ 407,874	91,103	498,977

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total Nonmajor
Revenues:					
Local sources:					
Local tax	\$ 149,823	-	149,823	-	149,823
Other	1,692	155,397	157,089	-	157,089
Total revenues	<u>151,515</u>	<u>155,397</u>	<u>306,912</u>	<u>-</u>	<u>306,912</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,293	-	1,293	-	1,293
Other	-	140,248	140,248	-	140,248
Support services:					
Administration	78,165	-	78,165	-	78,165
Operation and maintenance of plant	83,487	-	83,487	-	83,487
Long-term debt:					
Principal	-	-	-	24,280	24,280
Interest and fiscal charges	-	-	-	1,984	1,984
Total expenditures	<u>162,945</u>	<u>140,248</u>	<u>303,193</u>	<u>26,264</u>	<u>329,457</u>
Excess(deficiency) of revenues over(under) expenditures	(11,430)	15,149	3,719	(26,264)	(22,545)
Other financing sources:					
Transfers in	-	-	-	26,264	26,264
Net change in fund balances	(11,430)	15,149	3,719	-	3,719
Fund balances beginning of year	<u>339,304</u>	<u>75,747</u>	<u>415,051</u>	<u>-</u>	<u>415,051</u>
Fund balances end of year	<u>\$ 327,874</u>	<u>90,896</u>	<u>418,770</u>	<u>-</u>	<u>418,770</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 2,421,758	120,088	2,541,846
Recivables:			
Property tax:			
Delinquent	-	1,114	1,114
Succeeding year	-	105,600	105,600
Due from other governments	94,978	-	94,978
Total assets	\$ 2,516,736	226,802	2,743,538
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 240	1,143	1,383
Deferred revenue:			
Succeeding year property tax	-	105,600	105,600
Total liabilities	240	106,743	106,983
Fund balances:			
Restricted for:			
School infrastructure	2,516,496	-	2,516,496
Physical plant and equipment	-	120,059	120,059
Total fund balances	2,516,496	120,059	2,636,555
Total liabilities and fund balances	\$ 2,516,736	226,802	2,743,538

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 598,598	101,798	700,396
Other	10,069	304	10,373
Total revenues	<u>608,667</u>	<u>102,102</u>	<u>710,769</u>
Expenditures:			
Current:			
Support Services:			
Operation and maintenance of plant	40,882	14,366	55,248
Capital outlay	299,716	48,811	348,527
Total expenditures	<u>340,598</u>	<u>63,177</u>	<u>403,775</u>
Excess of revenues over expenditures	268,069	38,925	306,994
Other financing uses:			
Transfers out	<u>(26,264)</u>	-	<u>(26,264)</u>
Net change in fund balances	241,805	38,925	280,730
Fund balances beginning year	<u>2,274,691</u>	<u>81,134</u>	<u>2,355,825</u>
Fund balances end of year	<u>\$ 2,516,496</u>	<u>120,059</u>	<u>2,636,555</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ -	-	146	(146)
Spring play	58	-	-	58
Vocal	3,982	11,403	12,774	2,611
Musical	1,539	-	-	1,539
MS vocal festival	212	-	-	212
6th grade opera	29	-	-	29
Band	8,611	189	1,434	7,366
JH band festival	620	-	-	620
Cross country	119	1,089	945	263
Basketball camp	594	7,331	6,432	1,493
Football camp	819	6,306	5,084	2,041
Baseball camp	850	90	-	940
Girls basketball camp	428	1,417	1,743	102
Volleyball camp	2,271	1,135	55	3,351
Girls soccer	-	913	913	-
Softball clinic	511	219	207	523
Athletics	3,676	49,022	37,221	15,477
Uniforms	-	7,565	2,423	5,142
5th Grade Project	212	-	-	212
Dance Team	3,327	8,582	11,582	327
FFA	6,999	2,371	2,395	6,975
US West-Rold	20	-	-	20
Revolving	-	-	487	(487)
1st grade-US West	444	-	-	444
MS student activities	3,585	9,016	10,914	1,687
Middle school library	249	2,133	2,134	248
FCCLA	1,435	4,935	4,880	1,490
ITAG grant	68	-	-	68
Annual	1,199	6,050	3,394	3,855
Bulldog bites	-	178	47	131
Football cheerleaders	2,293	3,827	2,813	3,307
Robotics club	159	1,096	701	554
DC trip	3,258	-	-	3,258
Student needs(civic donations)	20	1,246	-	1,266
HS student council pop fund	-	-	348	(348)
MS student council	3,959	4,309	7,097	1,171
Library	255	-	-	255
North book fair	5,831	5,223	5,131	5,923
Preschool snack	312	925	783	454
National honor society	30	183	85	128
R club	816	-	575	241
Pep club	2,047	787	1,155	1,679
HS recognition area	427	-	92	335
Special ed. Needs(Putnam classroom)	542	313	393	462
8th grade team	-	333	-	333
HS student council	2,494	3,591	2,682	3,403
Wrestling cheerleader	245	2,002	2,100	147
Jump rope for heart	990	-	-	990
Art club	263	-	-	263
Cheerleaders/BB	259	299	299	259
Outdoor classroom	128	-	-	128
Science club	1,433	-	219	1,214
Class of 2009	2,840	-	-	2,840
Class of 2010	156	-	-	156
Class of 2011	779	-	352	427
Class of 2012	1,671	472	2,470	(327)
Class of 2013	1,816	8,927	7,693	3,050
Class of 2014	867	785	-	1,652
Class of 2015	-	1,135	50	1,085
Total	\$ 75,747	155,397	140,248	90,896

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund				
	Vickie Diane Lester Trust	Gilpin Scholarship	Knights of Columbus	Other Scholarships	Total
Assets					
Cash and pooled investments	\$ 58,976	9,059	114	7,379	75,528
Liabilities	-	-	-	-	-
Net Assets					
Restricted for scholarships	\$ 58,976	9,059	114	7,379	75,528

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Private Purpose Trust - Scholarship Fund				
	Vickie Diane Lester Trust	Gilpin Scholarship	Knights of Columbus	Other Scholarships	Total
	Additions:				
Local sources:					
Interest income	\$ 1,590	17	-	-	1,607
Deductions:					
Instruction:					
Scholarships awarded	-	1,000	-	-	1,000
Changes in net assets	1,590	(983)	-	-	607
Net assets beginning of year	57,386	10,042	114	7,379	74,921
Net assets end of year	\$ 58,976	9,059	114	7,379	75,528

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:								
Local sources:								
Local tax	\$ 3,924,797	4,189,038	3,726,105	3,612,576	3,113,882	3,063,277	2,892,498	2,729,667
Tuition	121,430	50,532	122,083	154,795	169,227	113,999	110,783	113,448
Other	402,760	435,670	381,963	420,374	492,777	452,204	424,954	296,157
Intermediate sources	-	-	-	-	15,229	-	-	-
State sources	3,077,937	2,826,333	2,465,780	2,963,000	2,911,515	2,920,328	2,822,573	2,990,315
Federal sources	225,941	322,295	490,706	189,645	131,020	144,653	152,721	143,921
Total	<u>\$ 7,752,865</u>	<u>7,823,868</u>	<u>7,186,637</u>	<u>7,340,390</u>	<u>6,833,650</u>	<u>6,694,461</u>	<u>6,403,529</u>	<u>6,273,508</u>
Expenditures:								
Instruction:								
Regular	\$ 2,944,468	2,879,560	2,888,195	3,109,105	2,694,951	2,381,372	2,380,366	2,545,428
Special	842,896	801,118	878,157	865,248	835,938	803,953	830,959	883,740
Other	1,001,941	762,619	583,512	415,539	820,609	831,456	809,845	622,189
Support services:								
Student	132,448	167,636	132,161	188,921	189,734	180,071	184,844	190,846
Instructional staff	95,387	222,376	96,237	119,850	120,140	134,178	144,133	63,720
Administration	774,304	748,320	706,836	582,390	612,617	621,653	598,364	586,972
Operation and maintenance of plant	573,140	519,632	566,148	544,026	566,046	534,428	472,249	442,387
Transportation	337,828	338,084	268,413	251,994	295,056	438,144	360,060	271,719
Non-instructional programs:								
Food service operations	-	-	-	-	-	-	-	10,997
Capital outlay	348,527	996,251	401,482	234,265	382,908	365,101	484,305	115,785
Long-term debt:								
Principal	24,280	49,312	21,181	82,342	57,838	-	-	-
Interest	1,984	4,640	2,485	2,639	3,477	-	-	-
Other expenditures:								
AEA flow-through	242,360	271,411	257,342	236,389	214,810	209,591	199,163	199,961
Total	<u>\$ 7,319,563</u>	<u>7,760,959</u>	<u>6,802,149</u>	<u>6,632,708</u>	<u>6,794,124</u>	<u>6,499,947</u>	<u>6,464,288</u>	<u>5,933,744</u>

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
Riverside Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Riverside Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 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 Riverside Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Riverside Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Riverside Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Riverside Community School District's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Riverside Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which 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.

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

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

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



NOLTE, CORMAN & JOHNSON, P.C.

March 19, 2013

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

Part I: Findings Related to the Financial Statements:

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. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Vouchers are processed, disbursements are recorded, and checks are prepared by the same person. We also noted that only one individual enters payroll contracts into the system and they are not reviewed by another individual.

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

Response - The Superintendent and Business Manager attended a workshop on internal controls. The District plans to develop compensating controls to make up for the lack of segregation.

Conclusion - Response accepted.

I-B-12 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. The District's records required numerous end of year adjustments. There were no end of year adjustments made to the Nutrition Fund to convert the financial statements to GAAP basis.

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

Response - The District will develop a training plan to improve this aspect of the business.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

RIVERSIDE 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 expenditures for the year ended June 30, 2012 exceeded the amounts budgeted in the instruction and support services functional areas.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will comply with the requirements.

Conclusion - Response accepted.

II-B-12 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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

Name, Title and Business Connection	Transaction Description	Amount
Rhonda Crumley, Paraeducator Owns M&R Mowing	Lawn Services	\$9,030
Dan Ives, Board Member Coach	Coaching	\$1,364

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

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

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 - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were certified was overstated by 1.0 student.

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

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

Conclusion - Response accepted.

II-H-12 Supplemental Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

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

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

Response - The District has liquidated the stock.

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 funds.

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

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June, 30, 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		\$	2,274,691
Revenues:			
Sales tax revenue	\$	598,598	
Other local revenues		10,069	608,667
			<u>2,883,358</u>
Expenditures/transfers out:			
School infrastructure construction		129,600	
Equipment		210,998	
Transfers to other funds:			
Debt service fund		26,264	366,862
			<u>366,862</u>
Ending balance		\$	<u><u>2,516,496</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 Deficit Balances - The District had deficit unrestricted assets in the Enterprise, School Nutrition Fund of \$14,298, in the Day Care Fund of \$1,966 and in the Farming Operation Fund of \$10,228 at June 30, 2012. The District also had four negative accounts totaling \$1,308 in the Special Revenue, Student Activity Fund at June 30, 2012.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - The District has developed a business model that it believes will solve the problem of deficit balances.

Conclusion - Response accepted.

II-N-12 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations which have been outstanding for over a year.

Recommendation - The District should research outstanding checks to determine if they should be re-issued or voided. Once checks have been outstanding for two years, the checks should be submitted to the Treasurer of Iowa as unclaimed property. Per Chapter 556.1(10) and 556.11 of the code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District will investigate all outstanding checks and take appropriate action based on the investigation.

Conclusion - Response accepted.