

ROCK VALLEY
COMMUNITY SCHOOL DISTRICT

Rock Valley, Iowa

Independent Auditor's Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings

June 30, 2012

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Rock Valley Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rock Valley Community School District (the District), Rock Valley, 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 the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2013, on our consideration of the 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 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.



To the Board of Education of
Rock Valley Community School District

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 35 through 37 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, who considers it to be an essential part of 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 auditing standards generally accepted in the United States of America, 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 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 the District's basic financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sioux City, Iowa
March 22, 2013

King, Reinsch, Prosser & Co., L.L.P.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Rock Valley Community School District (the 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 increased from \$6,778,666 in fiscal 2011 to \$6,782,777 in fiscal 2012, while General Fund expenditures increased from \$6,095,566 in fiscal 2011 to \$6,441,370 in fiscal 2012. The District's General Fund balance increased from \$2,477,954 in fiscal 2011 to \$2,891,486 in fiscal 2012, a 16.7 percent increase.
- The increase in General Fund revenues was primarily attributable to an increase in enrollment, which generated more revenue primarily from state sources. The increase in General Fund expenditures was due primarily to salary and wage increases and the purchase of new laptop computers.

Using This Annual Report

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

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

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

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

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

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

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

Reporting the District's Financial Activities

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

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

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

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

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

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

The District has two kinds of funds.

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

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

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 Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

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

Government-Wide Financial Analysis

Figure A-1 below provides a summary of the District's net assets at June 30, 2012 and 2011.

Figure A-1 (In Thousands)
Condensed Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Total</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>Percentage Change</u> <u>2011-2012</u>
Current and other assets	\$ 10,398	\$ 9,686	\$ 106	\$ 81	\$ 10,504	\$ 9,767	7.5%
Capital assets, net	<u>10,165</u>	<u>9,741</u>	<u>31</u>	<u>34</u>	<u>10,196</u>	<u>9,775</u>	<u>4.3%</u>
Total assets	\$ <u>20,563</u>	\$ <u>19,427</u>	\$ <u>137</u>	\$ <u>115</u>	\$ <u>20,700</u>	\$ <u>19,542</u>	<u>5.9%</u>
Long-term liabilities	\$ 5,725	\$ 6,028	\$ -	\$ -	\$ 5,725	\$ 6,028	(5.0%)
Other liabilities	<u>3,451</u>	<u>3,207</u>	<u>6</u>	<u>6</u>	<u>3,457</u>	<u>3,213</u>	<u>7.6%</u>
Total liabilities	\$ <u>9,176</u>	\$ <u>9,235</u>	\$ <u>6</u>	\$ <u>6</u>	\$ <u>9,182</u>	\$ <u>9,241</u>	<u>(0.6%)</u>
Net assets:							
Invested in capital							
net of related debt	\$ 4,640	\$ 3,878	\$ 31	\$ 34	\$ 4,671	\$ 3,912	19.4%
Restricted	<u>4,234</u>	<u>4,294</u>	<u>-</u>	<u>-</u>	<u>4,234</u>	<u>4,294</u>	<u>(1.4%)</u>
Unrestricted	<u>2,513</u>	<u>2,020</u>	<u>100</u>	<u>75</u>	<u>2,613</u>	<u>2,095</u>	<u>24.7%</u>
Total net assets	\$ <u>11,387</u>	\$ <u>10,192</u>	\$ <u>131</u>	\$ <u>109</u>	\$ <u>11,518</u>	\$ <u>10,301</u>	<u>11.8%</u>

The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment).

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased 1.4 percent (approximately \$60,000) over the prior year primarily due to costs associated with the construction projects and debt service paid for with cash reserves.

Unrestricted net assets can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. The District's unrestricted net assets increased 24.7 percent (approximately \$518,000) over the prior year primarily due to the increase in the general fund balance.

Figure A-2 shows the change in net assets for the years ended June 30, 2012 and 2011.

Figure A-2 (In Thousands)
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Revenues:							
Program revenues:							
Charges for services	\$ 1,236	\$ 1,348	\$ 204	\$ 183	\$ 1,440	\$ 1,531	(5.9%)
Operating grants, contributions and restricted interest	1,324	1,564	208	170	1,532	1,734	(11.6%)
General revenues:							
Property tax	3,406	3,213	-	-	3,406	3,213	6.0%
Unrestricted state grants	2,461	2,196	-	-	2,461	2,196	12.1%
Unrestricted investment earnings	72	95	1	1	73	96	(24.0%)
Other	<u>6</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>4</u>	<u>50.0%</u>
Total revenues	<u>\$ 8,505</u>	<u>\$ 8,420</u>	<u>\$ 413</u>	<u>\$ 354</u>	<u>\$ 8,918</u>	<u>\$ 8,774</u>	<u>1.6%</u>
Program expenses:							
Instruction	\$ 5,024	\$ 4,784	\$ -	\$ -	\$ 5,024	\$ 4,784	5.0%
Support services	1,781	1,709	-	-	1,781	1,709	4.2%
Non-instructional programs	-	-	391	362	391	362	8.0%
Other expenses	<u>506</u>	<u>525</u>	<u>-</u>	<u>-</u>	<u>506</u>	<u>525</u>	<u>(3.6%)</u>
Total expenses	<u>\$ 7,311</u>	<u>\$ 7,018</u>	<u>\$ 391</u>	<u>\$ 362</u>	<u>\$ 7,702</u>	<u>\$ 7,380</u>	<u>4.4%</u>
Change in net assets	<u>\$ 1,194</u>	<u>\$ 1,402</u>	<u>\$ 22</u>	<u>\$ (8)</u>	<u>\$ 1,216</u>	<u>\$ 1,394</u>	<u>(12.8%)</u>

Property tax and unrestricted state grants account for 65.8 percent of the total revenue (61.6 percent in 2011). The District's expenses primarily relate to instruction and support services, which account for 88.4 percent of the total expenses (88.0 percent in 2011).

- Property taxes increased approximately \$193,000 or 6.0 percent primarily due to increased property valuations.
- Unrestricted state grants increased approximately \$265,000 or 12.1 percent primarily due to increased enrollment.
- Total expenses increased approximately \$322,000 or 4.4 percent primarily due to an increase in staff and salaries/wages.

Governmental Activities - Revenues for governmental activities were \$8,504,844 and expenses were \$7,310,445.

The following table presents the total and net cost of the District's major governmental activities for the years ended June 30, 2012 and 2011.

Figure A-3 (In Thousands)
Total and Net Cost of Governmental Activities

	Total Cost of Services		Percent	Net Cost of Services		Percent
			Change			Change
	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Instruction	\$ 5,024	\$ 4,784	5.1%	\$ 2,846	\$ 2,247	26.7%
Support services	1,781	1,709	4.2%	1,663	1,613	3.1%
Other expenses	<u>506</u>	<u>525</u>	<u>(3.6%)</u>	<u>242</u>	<u>246</u>	<u>(1.6%)</u>
Totals	<u>\$ 7,311</u>	<u>\$ 7,018</u>	<u>4.3%</u>	<u>\$ 4,751</u>	<u>\$ 4,106</u>	<u>15.7%</u>

- The cost financed by users of the District's programs was \$1,236,010 (\$1,348,541 in 2011).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,323,592 (\$1,564,049 in 2011).
- The net cost of governmental activities was financed with \$3,406,522 in property and other taxes (\$3,212,599 in 2011) and \$2,461,312 in unrestricted state grants (\$2,196,158 in 2011).

Business Type Activities - Revenues for business type activities were \$412,492 (\$353,631 in 2011) and expenses were \$390,673 (\$361,791 in 2011). The District's business type activities consist of the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Governmental Fund Analysis

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$6,982,939, above last year's ending fund balances of \$6,517,698. The District's proprietary fund reported end of year net assets of \$131,201, above last year's ending net assets of \$109,382.

Governmental Fund Highlights

The District's General Fund maintains a strong financial position with \$2,891,486 in its fund balance. The General Fund balance increased \$413,532 from last year due primarily to increases in funding from state sources due to increased enrollment in the district.

The Capital Projects Fund increased its financial position ending the year with a fund balance of \$3,465,486 above last year's ending fund balance of \$3,285,821. The Capital Project Fund balance increased \$179,665 primarily due to revenues in the fund higher than expenditures.

Proprietary Fund Highlights

Revenues for business type activities were \$412,492 and expenses were \$390,673. The District's business type activities included the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Budgetary Highlights

The District's actual receipts were less than budgeted receipts due primarily to slightly over estimating revenues from local and state sources.

The District's actual disbursements were less than budget in all program functional areas.

The District does attempt to budget as closely as possible to what management believes actual receipts and expenditures will be. Ideally, management attempts to exceed all revenue budgets and under spend all expenditure budgets.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2012, the District had invested \$10,165,367, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation/amortization expense for the year was \$518,457.

The original cost of the District's capital assets was \$14,113,406. Governmental funds account for \$14,023,007, with the remainder of \$90,399 accounted for in the Proprietary, School Nutrition Fund.

Figure A-4 (In Thousands)
Capital Assets, Net of Depreciation/Amortization

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Percent</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Land	\$ 42	\$ 42	\$ -	\$ -	\$ 42	\$ 42	0.0%
Construction in progress	289	363	-	-	289	363	(20.4%)
Land improvements	556	511	-	-	556	511	8.8%
Buildings and improvements	8,471	8,093	-	-	8,471	8,093	4.7%
Vehicles	337	365	-	-	337	365	(7.7%)
Machinery and equipment	470	365	31	34	501	399	25.6%
Intangibles	-	2	-	-	-	2	(100%)
Totals	<u>\$ 10,165</u>	<u>\$ 9,741</u>	<u>\$ 31</u>	<u>\$ 34</u>	<u>\$ 10,196</u>	<u>\$ 9,775</u>	<u>4.3%</u>

Long-Term Liabilities - At June 30, 2012, the District had \$133,586 early retirement payable and \$5,525,000 bonds payable. Additional information about the District's long-term liabilities is presented in Note 5 to the financial statements.

The following table presents the District's long-term liabilities as of June 30, 2012 and 2011:

Figure A-5 (In Thousands)
Outstanding Long-Term Liabilities

	<u>June 30,</u>		<u>Percent Change</u>
	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
General obligation bonds	\$ 5,525	\$ 5,825	(5.2%)
Early retirement	134	153	(12.4%)
Net OPEB liability	<u>67</u>	<u>50</u>	<u>34.0%</u>
	<u>\$ 5,726</u>	<u>\$ 6,028</u>	<u>(5.0%)</u>

Economic Factors Bearing on the District's Future

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

- The District's funding is highly dependent upon its student enrollment. Fluctuations in enrollment can have a significant impact, but currently the District does not have any enrollment concerns.
- The District is concerned with the funding of programs it has in place such as the preschool program. The District is also concerned with class size reductions.
- The District is concerned with the low allowable growth rates that have been established in the past few years.

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 Randy Taylor, Board Secretary, Rock Valley Community School District, 1712 20th Avenue, Rock Valley Iowa 51247.

BASIC FINANCIAL STATEMENTS

ROCK VALLEY COMMUNITY SCHOOL DISTRICTSTATEMENT OF NET ASSETSJUNE 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 6,779,334	\$ 98,860	\$ 6,878,194
Receivables:			
Property tax:			
Current year	27,302	-	27,302
Succeeding year	3,013,080	-	3,013,080
Accounts	17,152	54	17,206
Due from other governments	546,761	-	546,761
Inventories	13,993	7,223	21,216
Capital assets, net of accumulated depreciation/amortization	<u>10,165,367</u>	<u>31,231</u>	<u>10,196,598</u>
Total assets	<u>\$ 20,562,989</u>	<u>\$ 137,368</u>	<u>\$ 20,700,357</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 305,619	\$ 766	\$ 306,385
Salaries and benefits payable	95,984	-	95,984
Accrued interest	36,329	-	36,329
Deferred revenue:			
Succeeding year property tax	3,013,080	-	3,013,080
Other	-	5,401	5,401
Long-term liabilities:			
Portion due within one year:			
Early retirement	52,425	-	52,425
General obligation bonds	315,000	-	315,000
Portion due after one year:			
Early retirement	81,161	-	81,161
General obligation bonds	5,210,000	-	5,210,000
Net OPEB liability	<u>66,889</u>	<u>-</u>	<u>66,889</u>
Total liabilities	<u>\$ 9,176,487</u>	<u>\$ 6,167</u>	<u>\$ 9,182,654</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 4,640,367	\$ 31,231	\$ 4,671,598
Restricted for:			
Categorical funding	311,092	-	311,092
Capital projects	3,465,486	-	3,465,486
Debt service	298,578	-	298,578
Other special revenue purposes	158,708	-	158,708
Unrestricted	<u>2,512,271</u>	<u>99,970</u>	<u>2,612,241</u>
Total net assets	<u>\$ 11,386,502</u>	<u>\$ 131,201</u>	<u>\$ 11,517,703</u>
Total liabilities and net assets	<u>\$ 20,562,989</u>	<u>\$ 137,368</u>	<u>\$ 20,700,357</u>

See notes to financial statements.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Instruction:			
Regular instruction	\$ 3,192,279	\$ 961,851	\$ 806,530
Special instruction	969,714	-	64,849
Other instruction	<u>861,822</u>	<u>274,159</u>	<u>71,138</u>
	<u>\$ 5,023,815</u>	<u>\$ 1,236,010</u>	<u>\$ 942,517</u>
Support services:			
Student services	\$ 231,804	\$ -	\$ 7,819
Instructional staff services	73,699	-	-
Administration services	704,137	-	-
Operation and maintenance of plant services	469,786	-	-
Transportation services	<u>300,958</u>	<u>-</u>	<u>109,551</u>
	<u>\$ 1,780,384</u>	<u>\$ -</u>	<u>\$ 117,370</u>
Other expenses:			
Facilities acquisition	\$ 7,997	\$ -	\$ -
Long-term debt interest	234,544	-	-
AEA flow through	<u>263,705</u>	<u>-</u>	<u>263,705</u>
	<u>\$ 506,246</u>	<u>\$ -</u>	<u>\$ 263,705</u>
Total governmental activities	<u>\$ 7,310,445</u>	<u>\$ 1,236,010</u>	<u>\$ 1,323,592</u>
Business type activities:			
Non-instructional programs:			
Food service operations	\$ 390,673	\$ 203,500	\$ 208,356
Total business type activities	<u>\$ 390,673</u>	<u>\$ 203,500</u>	<u>\$ 208,356</u>
Total	<u>\$ 7,701,118</u>	<u>\$ 1,439,510</u>	<u>\$ 1,531,948</u>
GENERAL REVENUES:			
Property and other tax levied for:			
General purposes			
Management levy			
Physical plant and equipment levy			
Debt service			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Sale of equipment			
Other			
Total general revenues			
Change in net assets			
Net assets beginning of year			
Net assets end of year			
See notes to financial statements.			

EXHIBIT B

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
\$ (1,423,898)	\$ -	\$ (1,423,898)
(904,865)	-	(904,865)
<u>(516,525)</u>	<u>-</u>	<u>(516,525)</u>
\$ <u>(2,845,288)</u>	\$ <u>-</u>	\$ <u>(2,845,288)</u>
\$ (223,985)	\$ -	\$ (223,985)
(73,699)	-	(73,699)
(704,137)	-	(704,137)
(469,786)	-	(469,786)
<u>(191,407)</u>	<u>-</u>	<u>(191,407)</u>
\$ <u>(1,663,014)</u>	\$ <u>-</u>	\$ <u>(1,663,014)</u>
\$ (7,997)	\$ -	\$ (7,997)
(234,544)	-	(234,544)
<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>(242,541)</u>	\$ <u>-</u>	\$ <u>(242,541)</u>
\$ <u>(4,750,843)</u>	\$ <u>-</u>	\$ <u>(4,750,843)</u>
\$ -	\$ 21,183	\$ 21,183
\$ -	\$ 21,183	\$ 21,183
\$ <u>(4,750,843)</u>	\$ <u>21,183</u>	\$ <u>(4,729,660)</u>
\$ 2,112,331	\$ -	\$ 2,112,331
238,610	-	238,610
217,483	-	217,483
326,023	-	326,023
512,075	-	512,075
2,461,312	-	2,461,312
71,683	636	72,319
5,710	-	5,710
15	-	15
<u>\$ 5,945,242</u>	<u>\$ 636</u>	<u>\$ 5,945,878</u>
\$ 1,194,399	\$ 21,819	\$ 1,216,218
<u>10,192,103</u>	<u>109,382</u>	<u>10,301,485</u>
\$ <u>11,386,502</u>	\$ <u>131,201</u>	\$ <u>11,517,703</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and pooled investments	\$ 2,732,785	\$ 3,419,281	\$ 330,622	\$ 296,646	\$ 6,779,334
Receivables:					
Property tax:					
Current year	20,066	1,943	3,093	2,200	27,302
Succeeding year	2,087,160	224,573	523,289	178,058	3,013,080
Accounts	8,243	6,803	1,005	1,101	17,152
Due from other funds	-	-	187	-	187
Due from other governments	465,097	81,664	-	-	546,761
Inventory	-	-	-	13,993	13,993
	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,993</u>	<u>13,993</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,993</u>	<u>13,993</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,993</u>	<u>13,993</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,993</u>	<u>13,993</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,993</u>	<u>13,993</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,993</u>	<u>13,993</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,993</u>	<u>13,993</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,993</u>	<u>13,993</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET ASSETS

JUNE 30, 2012

Total fund balances of governmental funds	\$ 6,982,939
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 the governmental funds.	10,165,367
Long-term liabilities, including bonds payable and early-retirement, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(5,725,475)
Accrued interest payable on long-term debt is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	<u>(36,329)</u>
Net assets of governmental activities	<u>\$ 11,386,502</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 2,112,331	\$ 729,559	\$ 326,025	\$ 238,611	\$ 3,406,526
Tuition	722,585	-	-	-	722,585
Other	162,945	87,606	4,266	276,840	531,657
State sources	3,536,450	-	-	-	3,536,450
Federal sources	248,466	-	-	-	248,466
Total revenues	<u>\$ 6,782,777</u>	<u>\$ 817,165</u>	<u>\$ 330,291</u>	<u>\$ 515,451</u>	<u>\$ 8,445,684</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 3,089,906	\$ -	\$ -	\$ 62,108	\$ 3,152,014
Special instruction	902,468	-	-	-	902,468
Other instruction	534,571	-	-	294,117	828,688
	<u>\$ 4,526,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 356,225</u>	<u>\$ 4,883,170</u>
Support services:					
Student services	\$ 214,971	\$ -	\$ -	\$ -	\$ 214,971
Instructional staff services	68,347	-	-	-	68,347
Administration services	599,383	-	-	53,622	653,005
Operation and maintenance of plant services	424,312	-	-	21,506	445,818
Transportation services	343,707	-	-	5,829	349,536
	<u>\$ 1,650,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,957</u>	<u>\$ 1,731,677</u>
Other expenditures:					
Principal	\$ -	\$ -	\$ 300,000	\$ -	\$ 300,000
Interest and other charges	-	-	236,516	-	236,516
Facilities acquisition	-	637,500	-	-	637,500
AEA flow through	263,705	-	-	-	263,705
	<u>\$ 263,705</u>	<u>\$ 637,500</u>	<u>\$ 536,516</u>	<u>\$ -</u>	<u>\$ 1,437,721</u>
Total expenditures	<u>\$ 6,441,370</u>	<u>\$ 637,500</u>	<u>\$ 536,516</u>	<u>\$ 437,182</u>	<u>\$ 8,052,568</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ 341,407</u>	<u>\$ 179,665</u>	<u>\$ (206,225)</u>	<u>\$ 78,269</u>	<u>\$ 393,116</u>
Other financing sources:					
Sale of equipment	\$ 175	\$ -	\$ -	\$ -	\$ 175
Insurance recoveries	71,950	-	-	-	71,950
Total other financing sources	<u>\$ 72,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,125</u>
Net change in fund balances	\$ 413,532	\$ 179,665	\$ (206,225)	\$ 78,269	\$ 465,241
Fund balances beginning of year	<u>2,477,954</u>	<u>3,285,821</u>	<u>541,132</u>	<u>212,791</u>	<u>6,517,698</u>
Fund balances end of year	<u>\$ 2,891,486</u>	<u>\$ 3,465,486</u>	<u>\$ 334,907</u>	<u>\$ 291,060</u>	<u>\$ 6,982,939</u>

See notes to financial statements.

Page 15

ROCK VALLEY COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds	\$ 465,241
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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 capitalized in the Statement of Net Assets and are expensed over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,009,172	
Depreciation/amortization expense	<u>(518,457)</u>	490,715

Governmental funds report the proceeds from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the net cost of the asset sold.

	(66,415)
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Governmental funds report repayment of bond principal as an expenditure, in contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This amount represents principal payments on general obligation bonds.

	300,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ 19,847	
Other postemployment benefits	<u>(16,961)</u>	2,886

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

	<u>1,972</u>
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Change in net assets of governmental activities	<u>\$ 1,194,399</u>
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See notes to financial statements.

ROCK VALLEY COMMUNITY SCHOOL DISTRICTSTATEMENT OF NET ASSETS - PROPRIETARY FUNDJUNE 30, 2012

	<u>School Nutrition</u>
ASSETS:	
Cash and cash equivalents	\$ 98,860
Accounts receivable	54
Inventories	7,223
Capital assets, net of accumulated depreciation	<u>31,231</u>
Total assets	<u>\$ 137,368</u>
LIABILITIES:	
Accounts payable	\$ 766
Deferred revenue	<u>5,401</u>
Total liabilities	<u>\$ 6,167</u>
NET ASSETS:	
Invested in capital assets, net of related debt	\$ 31,231
Unrestricted	<u>99,970</u>
Total net assets	<u>\$ 131,201</u>
Total liabilities and net assets	<u>\$ 137,368</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -PROPRIETARY FUNDYEAR ENDED JUNE 30, 2012

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ <u>203,500</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 99,997
Benefits	26,536
Supplies	244,167
Other	13,872
Depreciation	<u>6,101</u>
Total operating expenses	\$ <u>390,673</u>
Operating loss	\$ <u>(187,173)</u>
Non-operating revenues:	
Interest income	\$ 636
State sources	3,927
Federal sources	178,039
Food distribution	<u>26,390</u>
Total non-operating revenues	\$ <u>208,992</u>
Change in net assets	\$ 21,819
Net assets beginning of year	<u>109,382</u>
Net assets end of year	<u>\$ 131,201</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2012

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 202,882
Cash paid to employees for services	(126,533)
Cash paid to suppliers for goods or services	<u>(231,262)</u>
Net cash used by operating activities	<u>\$ (154,913)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,927
Federal grants received	<u>178,039</u>
Net cash provided by non-capital financing activities	<u>\$ 181,966</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ (3,475)</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 636</u>
Net change in cash and cash equivalents	\$ 24,214
Cash and cash equivalents beginning of year	<u>74,646</u>
Cash and cash equivalents end of year	<u><u>\$ 98,860</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (187,173)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	26,390
Depreciation	6,101
Increase in accounts receivable	(48)
Increase in accounts payable	766
Increase in inventories	(326)
Decrease in deferred revenues	<u>(623)</u>
Net cash used by operating activities	<u><u>\$ (154,913)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$26,390 of federal commodities.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Rock Valley Community School District (the District) is a political subdivision of the State of Iowa and operates public schools for children in grades transitional kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. The geographic areas served include the City of Rock Valley, Iowa, and the predominant agricultural territory in Sioux and Lyon Counties in Iowa. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

For financial reporting purposes, the 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 GASB 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 District has no component units which meet the GASB criteria.

B. Basis of Presentation

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Invested in Capital Assets, Net of Related Debt - Consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets - Result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

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

- C. Measurement Focus and Basis of Accounting - The government-wide and proprietary 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 special termination benefits 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.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund 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 non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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 becomes due and collectible in September and March of the fiscal year with a 1-1/2 percent 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.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$1,000 and estimated useful lives in excess of two years.

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-15 years
Intangibles	5-10 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Deferred revenue in 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.

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.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those Committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, no expenditures exceeded the amounts budgeted.

NOTE 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.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2 - CASH AND POOLED INVESTMENTS (CONTINUED):

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

At June 30, 2012, the District had cash and investments as follows:

Cash	\$ 2,278,194
Certificates of Deposit	<u>4,600,000</u>
	<u>\$ 6,878,194</u>

The investments are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

NOTE 3 - DUE FROM AND DUE TO OTHER FUNDS:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service	Physical Plant and Equipment Levy	<u>\$ 187</u>

The Physical Plant and Equipment Levy is repaying the Debt Service Fund for property tax incorrectly recorded.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS:

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 42,002	\$ -	\$ -	\$ 42,002
Construction in progress	<u>362,865</u>	<u>289,339</u>	<u>362,865</u>	<u>289,339</u>
Total capital assets not being depreciated	<u>\$ 404,867</u>	<u>\$ 289,339</u>	<u>\$ 362,865</u>	<u>\$ 331,341</u>
Capital assets being depreciated/amortized:				
Land improvements	\$ 745,459	\$ 82,095	\$ -	\$ 827,554
Buildings and improvements	10,351,151	726,018	-	11,077,169
Vehicles	627,887	75,947	75,861	627,973
Machinery and equipment	1,004,614	198,638	56,774	1,146,478
Intangibles	<u>12,492</u>	<u>-</u>	<u>-</u>	<u>12,492</u>
Total capital assets being depreciated/amortized	<u>\$ 12,741,603</u>	<u>\$ 1,082,698</u>	<u>\$ 132,635</u>	<u>\$ 13,691,666</u>
Less accumulated depreciation/amortization for:				
Land improvements	\$ 234,581	\$ 37,307	\$ -	\$ 271,888
Buildings and improvements	2,257,992	348,436	-	2,606,428
Vehicles	263,310	34,841	7,586	290,565
Machinery and equipment	639,449	95,550	58,634	676,365
Intangibles	<u>10,071</u>	<u>2,323</u>	<u>-</u>	<u>12,394</u>
Total accumulated depreciation/amortization	<u>\$ 3,405,403</u>	<u>\$ 518,457</u>	<u>\$ 66,220</u>	<u>\$ 3,857,640</u>
Total capital assets being depreciated/amortized, net	<u>\$ 9,336,200</u>	<u>\$ 564,241</u>	<u>\$ 66,415</u>	<u>\$ 9,834,026</u>
Governmental activities capital assets, net	<u>\$ 9,741,067</u>	<u>\$ 853,580</u>	<u>\$ 429,280</u>	<u>\$ 10,165,367</u>
Business type activities:				
Machinery and equipment	\$ 86,924	\$ 3,475	\$ -	\$ 90,399
Less accumulated depreciation	<u>53,067</u>	<u>6,101</u>	<u>-</u>	<u>59,168</u>
Business type activities capital assets, net	<u>\$ 33,857</u>	<u>\$ (2,626)</u>	<u>\$ -</u>	<u>\$ 31,231</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS (CONTINUED):

Depreciation/amortization expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 246,809
Special	70,665
Other	65,389

Support services:

Student	16,833
Instructional staff	5,352
Administration	51,132
Operation and maintenance of plant	34,908
Transportation	<u>27,369</u>

Total depreciation/amortization expense -
governmental activities \$ 518,457

Business type activities:

Food service operations	<u>\$ 6,101</u>
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NOTE 5 - LONG-TERM LIABILITIES:

The District issued \$6,950,000 General Obligation School Bonds for the purpose of the construction of a new elementary facility, library and reconstruction of existing junior/senior high school rooms to accommodate a middle school for grades 6-8. The bonds will be repaid annually over a scheduled maturity of twenty years using proceeds from a local option sales tax and a debt service tax levy.

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bond	\$ 5,825,000	\$ -	\$ 300,000	\$ 5,525,000	\$ 315,000
Early retirement	153,433	42,261	62,108	133,586	52,425
Net OPEB liability	<u>49,928</u>	<u>16,961</u>	<u>-</u>	<u>66,889</u>	<u>-</u>
Total	<u>\$ 6,028,361</u>	<u>\$ 59,222</u>	<u>\$ 362,108</u>	<u>\$ 5,725,475</u>	<u>\$ 367,425</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED):

General Obligation Bonds Payable - Details of the District's June 30, 2012 general obligation bond indebtedness are as follows:

<u>Year Ending</u> <u>June30,</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	4.00%	\$ 315,000	\$ 224,016	\$ 539,016
2014	4.00%	330,000	211,416	541,416
2015	4.00%	350,000	198,216	548,216
2016	4.00%	365,000	184,216	549,216
2017	4.00%	380,000	169,616	549,616
Thereafter	4.00-4.20%	<u>3,785,000</u>	<u>739,731</u>	<u>4,524,731</u>
		<u>\$ 5,525,000</u>	<u>\$ 1,727,211</u>	<u>\$ 7,252,211</u>

Early Retirement - The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least fifty-five and must have completed ten years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement benefits for each eligible employee will be based on the age of the applicant as of July 1 and the total salary of the applicant during the most recently completed school year. Early retirement benefits consist of health insurance premiums until age 65 although the retiree is responsible for any premium increases. Early retirement benefits paid during the year ended June 30, 2012 totaled \$62,108. At June 30, 2012, the District had obligations to thirteen participants with a total liability of \$133,586 through August 2017. The total liability for early retirement is recorded in the government-wide financial statements, and is calculated assuming a 5 percent discount rate.

NOTE 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 percent of their annual covered salary and the District is required to contribute 8.07 percent of annual covered payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$309,875, \$261,522, and \$243,908, respectively, equal to the required contributions for each year.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description - The District operates a single-employer benefit plan which provides medical and prescription drug benefits. There are 68 active and one retired member in the plan. Retired participants must be age 55 or older.

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

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) on 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 implicitly contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 55,825
Interest on net OPEB obligation	1,500
Adjustment to annual required contribution	<u>(2,500)</u>
Annual OPEB cost	\$ 54,825
Employer contributions made	<u>(37,864)</u>
Increase in net OPEB obligation	\$ 16,961
Net OPEB obligation beginning of year	<u>49,928</u>
Net OPEB obligation end of year	<u><u>\$ 66,889</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 implicit contributions for the year ended June 30, 2012.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

For the year ended June 30, 2012, the District had an implicit contribution of \$37,864 to the medical plan.

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 28,443	0%	\$ 28,443
June 30, 2011	21,485	0%	49,928
June 30, 2012	16,961	0%	66,889

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 \$398,033, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$398,033. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multi-year 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.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 3.0 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 9 percent. The ultimate medical trend rate is 5 percent. The medical trend rate is reduced 1 percent each year until reaching the 5 percent ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based on historical average retirement age for the covered group. Active plan members were assumed to retire at age 59, or the first subsequent year in which the member would qualify for benefits.

Projected claim costs of the medical plan are approximately \$735 per month for retirees less than age 62. The UAAL is being amortized as a level percentage of projected payroll expenses on an open basis over 30 years.

NOTE 8 - RISK MANAGEMENT:

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

NOTE 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 \$263,705 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.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 10 - CONSTRUCTION COMMITMENT:

The District has entered into a contract totaling \$421,076 for the construction of an addition to the elementary school. As of June 30, 2012, costs of \$235,918 had been incurred and paid against the contract. The balance of \$185,158 remaining at June 30, 2012 will be paid as work on the addition progresses.

NOTE 11 - SUBSEQUENT EVENTS:

On August 28, 2012, the District issued General Obligation School Refunding Bonds, Series 2012 in the amount of \$5,005,000 to advance refund the 2005 General Obligation Bonds outstanding.

On September 15, 2012, the District entered into an agreement to purchase a property adjacent to the school for \$95,000.

Subsequent to year end, the District entered into an agreement with Apple, Inc. for the lease of 320 laptop computers. In this program, called the 1:1 Computer Initiative, individual laptops are given to each student grades 7 through 12. The District signed a four year lease requiring semi-annual payments of \$53,000 for a total of \$427,000. At the end of the lease, title to the laptops passes to the District.

REQUIRED SUPPLEMENTARY INFORMATION

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES

AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

	<u>Governmental Funds Actual</u>	<u>Proprietary Fund Actual</u>	<u>Total Actual</u>
Revenues:			
Local sources	\$ 4,660,768	\$ 204,136	\$ 4,864,904
State sources	3,536,450	3,927	3,540,377
Federal sources	248,466	204,429	452,895
Total revenues	<u>\$ 8,445,684</u>	<u>\$ 412,492</u>	<u>\$ 8,858,176</u>
Expenditures/expenses:			
Instruction	\$ 4,883,170	\$ -	\$ 4,883,170
Support services	1,731,677	-	1,731,677
Non-instructional programs	-	390,673	390,673
Other expenditures	1,437,721	-	1,437,721
Total expenditures/expenses	<u>\$ 8,052,568</u>	<u>\$ 390,673</u>	<u>\$ 8,443,241</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ 393,116	\$ 21,819	\$ 414,935
Other financing sources, net	<u>72,125</u>	<u>-</u>	<u>72,125</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	\$ 465,241	\$ 21,819	\$ 487,060
Balances beginning of year	<u>6,517,698</u>	<u>109,382</u>	<u>6,627,080</u>
Balances end of year	<u>\$ 6,982,939</u>	<u>\$ 131,201</u>	<u>\$ 7,114,140</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
<u>Original</u>	<u>Final</u>	
\$ 4,930,029	\$ 4,930,029	\$ (65,125)
3,624,548	3,624,548	(84,171)
<u>376,000</u>	<u>376,000</u>	<u>76,895</u>
<u>\$ 8,930,577</u>	<u>\$ 8,930,577</u>	<u>\$ (72,401)</u>
\$ 5,890,000	\$ 5,890,000	\$ 1,006,830
2,158,000	2,158,000	426,323
525,000	525,000	134,327
<u>2,252,603</u>	<u>2,252,603</u>	<u>814,882</u>
<u>\$ 10,825,603</u>	<u>\$ 10,825,603</u>	<u>\$ 2,382,362</u>
\$ (1,895,026)	\$ (1,895,026)	\$ (2,309,961)
<u>-</u>	<u>-</u>	<u>72,125</u>
<u>\$ (1,895,026)</u>	<u>\$ (1,895,026)</u>	<u>\$ 2,382,086</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards 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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

During the year ended June 30, 2012, no expenditures in the functional areas exceeded the amounts budgeted.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year Ended</u> <u>June 30,</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>
2010	July 1, 2009	\$ -	\$ 398	\$ 398	0.0%
2011	July 1, 2009	\$ -	\$ 398	\$ 398	0.0%
2012	July 1, 2009	\$ -	\$ 398	\$ 398	0.0%

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.

OTHER SUPPLEMENTARY INFORMATION

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

ASSETS

	<u>Special Revenue</u>		
	<u>Student</u>	<u>Management</u>	
	<u>Activity</u>	<u>Levy</u>	<u>Total</u>
Cash and pooled investments	\$ 163,783	\$ 132,863	\$ 296,646
Receivables:			
Property tax:			
Current year	-	2,200	2,200
Succeeding year	-	178,058	178,058
Accounts	-	1,101	1,101
Inventory	<u>13,993</u>	<u>-</u>	<u>13,993</u>
 Total assets	 <u>\$ 177,776</u>	 <u>\$ 314,222</u>	 <u>\$ 491,998</u>

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts payable	\$ 19,068	\$ 3,812	\$ 22,880
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>178,058</u>	<u>178,058</u>
Total liabilities	<u>\$ 19,068</u>	<u>\$ 181,870</u>	<u>\$ 200,938</u>
 Fund balances:			
Restricted for:			
Student activities	\$ 158,708	\$ -	\$ 158,708
Management levy purposes	<u>-</u>	<u>132,352</u>	<u>132,352</u>
Total fund balances	<u>\$ 158,708</u>	<u>\$ 132,352</u>	<u>\$ 291,060</u>
 Total liabilities and fund balances	 <u>\$ 177,776</u>	 <u>\$ 314,222</u>	 <u>\$ 491,998</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

	<u>Special Revenue</u>		<u>Total</u>
	<u>Student Activity</u>	<u>Management Levy</u>	
Revenues:			
Local sources:			
Local tax	\$ -	\$ 238,611	\$ 238,611
Other	274,159	2,681	276,840
Total revenues	<u>\$ 274,159</u>	<u>\$ 241,292</u>	<u>\$ 515,451</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ -	\$ 62,108	\$ 62,108
Other instruction	294,117	-	294,117
	<u>\$ 294,117</u>	<u>\$ 62,108</u>	<u>\$ 356,225</u>
Support services:			
Administration services	\$ -	\$ 53,622	\$ 53,622
Operation and maintenance of plant services	-	21,506	21,506
Transportation services	-	5,829	5,829
	<u>\$ -</u>	<u>\$ 80,957</u>	<u>\$ 80,957</u>
Total expenditures	<u>\$ 294,117</u>	<u>\$ 143,065</u>	<u>\$ 437,182</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (19,958)	\$ 98,227	\$ 78,269
Fund balances beginning of year	<u>178,666</u>	<u>34,125</u>	<u>212,791</u>
Fund balances end of year	<u>\$ 158,708</u>	<u>\$ 132,352</u>	<u>\$ 291,060</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECT ACCOUNTS

JUNE 30, 2012

ASSETS

	<u>Capital Projects</u>		
	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Cash and pooled investments	\$ 2,450,265	\$ 969,016	\$ 3,419,281
Receivables:			
Property tax:			
Current year	-	1,943	1,943
Succeeding year	-	224,573	224,573
Accounts	5,299	1,504	6,803
Due from other governments	<u>81,664</u>	<u>-</u>	<u>81,664</u>
 Total assets	 <u>\$ 2,537,228</u>	 <u>\$ 1,197,036</u>	 <u>\$ 3,734,264</u>

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts payable	\$ 40,102	\$ 3,916	\$ 44,018
Due to other funds	-	187	187
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>224,573</u>	<u>224,573</u>
 Total liabilities	 <u>\$ 40,102</u>	 <u>\$ 228,676</u>	 <u>\$ 268,778</u>
 Fund balances:			
Restricted for:			
School infrastructure	\$ 2,497,126	\$ -	\$ 2,497,126
Physical plant and equipment	<u>-</u>	<u>968,360</u>	<u>968,360</u>
Total fund balances	<u>\$ 2,497,126</u>	<u>\$ 968,360</u>	<u>\$ 3,465,486</u>
 Total liabilities and fund balances	 <u>\$ 2,537,228</u>	 <u>\$ 1,197,036</u>	 <u>\$ 3,734,264</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - CAPITAL PROJECT ACCOUNTS

YEAR ENDED JUNE 30, 2012

	<u>Capital Projects</u>		
	<u>Statewide</u>	<u>Physical</u>	
	<u>Sales, Services</u>	<u>Plant and</u>	
	<u>and Use Tax</u>	<u>Equipment</u>	
		<u>Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 512,075	\$ 217,484	\$ 729,559
Other	<u>19,838</u>	<u>67,768</u>	<u>87,606</u>
Total revenues	<u>\$ 531,913</u>	<u>\$ 285,252</u>	<u>\$ 817,165</u>
Expenditures:			
Other expenditures:			
Facilities acquisition	\$ 272,730	\$ 364,770	\$ 637,500
Total expenditures	<u>\$ 272,730</u>	<u>\$ 364,770</u>	<u>\$ 637,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 259,183</u>	<u>\$ (79,518)</u>	<u>\$ 179,665</u>
Fund balances beginning of year	<u>2,237,943</u>	<u>1,047,878</u>	<u>3,285,821</u>
Fund balances end of year	<u>\$ 2,497,126</u>	<u>\$ 968,360</u>	<u>\$ 3,465,486</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2012

ACCOUNT:	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Agriculture resale	\$ 214	\$ -	\$ -	\$ -	\$ 214
Art resale	3,803	30	-	-	3,833
Band resale	-	1,463	1,759	(153)	(449)
TSA resale	1,547	2,402	2,382	2,813	4,380
Spirit Club resale	26,142	41,520	47,993	(10,997)	8,672
Basketball	4,579	7,745	5,823	(3,001)	3,500
Football	-	17,095	20,336	3,241	-
Baseball	1,161	5,111	13,655	5,379	(2,004)
Golf	-	254	968	714	-
Wrestling	-	8,936	14,224	5,288	-
Track	19	-	-	-	19
Junior high boys athletics	-	70	2,262	2,152	(40)
Junior high girls athletics	-	110	5,897	8,062	2,275
High school girls basketball	4,820	6,035	2,524	(5,268)	3,063
High school girls volleyball	1,526	4,062	4,529	-	1,059
High school girls track	1,323	-	-	-	1,323
Tournaments	3,852	32,183	28,582	(5,157)	2,296
Annual 2011	1,807	585	3,844	1,452	-
Annual 2012	-	14,280	11,332	-	2,948
Instrument rent/repair	-	2,150	1,192	-	958
Band and vocal	172	4,078	4,662	565	153
Club reserve	20,853	231	537	1,990	22,537
Class of 2011	248	-	-	(248)	-
Class of 2012	5,603	-	1,699	(3,904)	-
Class of 2013	6,990	2,020	4,549	689	5,150
Class of 2014	3,850	7,309	4,223	-	6,936
Class of 2015	2,963	285	-	1,515	4,763
Class of 2016	2,622	1,743	606	2,273	6,032
Class of 2017	1,847	463	102	1,475	3,683
Class of 2018	-	245	61	-	184
Cheerleaders	1,858	3,468	2,787	369	2,908
FFA	5,688	35,934	43,851	2,729	500
FHA	829	866	919	-	776
Pep club	395	-	-	-	395
Student council	597	8,167	6,583	1,187	3,368
TSA program	1,693	6,479	7,379	828	1,621
FCA	226	77	40	-	263
Library club	587	-	-	-	587
Elementary activity	4,742	6,846	12,190	602	-
Spanish club	395	1,265	338	-	1,322
Spirit club	6,549	12,231	22,373	9,392	5,799
Interest	25,563	1,069	73	(2,595)	23,964
Adult activity tickets	-	7,845	-	(7,845)	-
Magazine sale	-	16,825	9,937	(6,888)	-
Student pictures	19,105	20	-	-	19,125
Miscellaneous insurance - student	-	234	234	-	-
Activity tickets	-	3,785	-	(3,785)	-
Drama and speech	1,000	2,543	3,079	-	464
FFA test plot	13,498	6,100	593	(2,874)	16,131
Total	\$ 178,666	\$ 274,159	\$ 294,117	\$ -	\$ 158,708

See accompanying independent auditor's report.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -

ALL GOVERNMENTAL FUNDS

FOR THE LAST NINE YEARS ENDED JUNE 30,

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 3,406,526	\$ 3,212,599	\$ 2,920,523	\$ 2,748,469	\$ 2,520,028	\$ 2,490,485	\$ 1,954,019	\$ 1,995,560	\$ 1,906,606
Tuition	722,585	853,253	861,399	548,654	544,643	563,893	548,739	474,848	421,841
Other	531,657	593,364	628,833	625,119	711,229	734,322	675,227	383,855	338,205
State sources	3,536,450	3,291,057	2,833,279	3,567,630	2,887,207	2,952,460	2,379,024	2,177,666	1,904,478
Federal sources	248,466	470,554	591,798	206,663	230,067	239,845	225,874	224,333	178,225
Total	\$ 8,445,684	\$ 8,420,827	\$ 7,835,832	\$ 7,696,535	\$ 6,893,174	\$ 6,981,005	\$ 5,782,883	\$ 5,256,262	\$ 4,749,355
Expenditures:									
Instruction:									
Regular instruction	\$ 3,152,014	\$ 2,876,301	\$ 2,783,440	\$ 2,915,628	\$ 2,798,602	\$ 2,433,989	\$ 2,247,721	\$ 2,238,603	\$ 2,228,859
Special instruction	902,468	928,228	938,526	927,259	737,590	595,827	594,036	517,314	429,209
Other instruction	828,688	733,689	757,210	618,457	631,076	578,173	490,871	574,282	521,679
Support services:									
Student services	214,971	234,580	239,257	173,231	204,860	226,839	213,440	109,853	103,858
Instructional staff services	68,347	82,716	68,565	63,732	34,408	74,956	75,214	75,229	76,629
Administration services	653,005	619,751	563,096	564,539	542,598	500,035	476,282	453,033	439,470
Operation and maintenance									
of plant services	445,818	430,783	476,985	454,736	413,003	389,182	406,119	492,963	421,840
Transportation services	349,536	305,670	249,672	282,636	239,929	269,035	175,457	198,364	218,845
Other expenditures:									
Facilities acquisition	637,500	579,159	392,478	567,395	1,195,366	5,596,647	1,061,389	118,224	1,505
Long-term debt:									
Principal	300,000	290,000	275,000	260,000	250,000	50,000	-	-	13,507
Interest and other charges	236,516	248,066	259,016	268,116	276,866	440,711	-	-	907
AEA flow through	263,705	278,582	264,615	242,296	213,002	196,955	187,873	178,464	176,940
Total	\$ 8,052,568	\$ 7,607,525	\$ 7,267,860	\$ 7,338,025	\$ 7,537,300	\$ 11,352,349	\$ 5,928,402	\$ 4,956,329	\$ 4,633,248



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
Rock Valley Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rock Valley Community School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that 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 combination of deficiencies in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be material weaknesses.



To the Board of Education
Rock Valley Community School District

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the 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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted no instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

The District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit the 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 the District and other parties to whom the 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 the 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.

Sioux City, Iowa
March 22, 2013

King, Reinsch, Prosser & Co., L.L.P.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

MATERIAL WEAKNESSES:

I-A-12 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or fraud. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions (b) recording transactions (c) maintaining custody of the assets that result from transactions and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for certain accounting and financial duties.

Recommendation - The District should review and segregate duties to the extent possible especially with respect to cash receipts and payroll activities. For example, different individuals should (a) open the mail (b) deposit cash receipts and (c) record cash receipts to the general ledger.

The Board of Education and Superintendent must remain actively involved in the financial affairs of the District to provide oversight and review functions. For example, the Superintendent or a Board member should review payroll registers for accuracy by comparing to approved pay rates/contracts for selected employees and also comparing to actual amounts disbursed per the bank statement.

Response - The District understands the nature of the weakness and will review its procedures and implement changes as deemed necessary.

Conclusion - Response accepted.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2012

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

I-B-12 Preparation of Financial Statements in Accordance with GAAP - The financial statements are the responsibility of the District's management. That responsibility is satisfied by either (a) management preparing the financial statements in accordance with GAAP or (b) management demonstrating the necessary GAAP expertise when reviewing and approving financial statements (that the auditor has assisted in drafting) and the various schedules and calculations used to prepare such financial statements. Management does review draft financial statements prior to issuance and is currently working towards increasing their knowledge of the District's GAAP financial reporting process.

Recommendation - We recommend management continue to review and learn about the District's GAAP financial reporting process and seek any necessary guidance/training so as to more fully understand the process.

Response - The District understands the nature of the weakness and the necessity for management to further its understanding of GAAP financial reporting. The District will implement changes as deemed necessary.

Conclusion - Response accepted.

ROCK VALLEY 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 - Expenditures for the year ended June 30, 2012 did not exceed the certified budget amounts in any of the program functions.
- II-B-12 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 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 - We noted no business transactions between the District and District officials or employees that would appear to constitute a conflict of interest.
- 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 had not been approved by the Board.
- II-G-12 Certified Enrollment - We noted variances regarding five students in the basic enrollment data certified to the Department of Education.

Recommendation - The District should contact the Iowa Department of Education regarding corrective action required.

Response - As recommended, we will contact the Iowa Department of Education to determine the corrective action required.

Conclusion - Response accepted.

- II-H-12 Supplementary Weighting - We noted no variances in the supplementary weighting certified to the Iowa Department of Education.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2012

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

- II-I-12 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-J-12 Certified Annual Report - The Certified Annual Report (CAR) was certified to the Iowa Department of Education timely.

- II-K-12 Categorical Funding - No noted instances of categorical funding being used to supplant rather than supplement other funds in accordance with Chapter 256D.2 of the Code of Iowa and Iowa Department of Education administrative rules were noted.

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 2,237,943
Revenues:		
Sales tax revenues	\$ 512,075	
Other local revenues	<u>19,838</u>	<u>531,913</u>
		\$ 2,769,856
Expenditures:		
School infrastructure construction	\$ <u>272,730</u>	<u>272,730</u>
Ending balance		<u>\$ 2,497,126</u>

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2012

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

II-M-12 Deficit Balances - Three student activity accounts had deficit balances at June 30, 2012.

Recommendation - The District should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District is investigating alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.