

RICEVILLE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Riceville Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Christopher Smith	President	2013
Karl Fox	Vice President	2013
Scott Schumann	Board Member	2015
William Hemann	Board Member	2015
Neal Keeling	Board Member	2015
(After September 2013 Election)		
Karl Fox	President	2017
Scott Schumann	Vice President (Resigned December 16, 2013)	2015
Neal Keeling	Vice President (Appointed December 16, 2013)	2015
Camille Schurke	Board Member	2017
William Hemann	Board Member	2015
Kyle Guertin	Board Member (Appointed December 16, 2013)	2015
School Officials		
Stephen Nicholson	Superintendent	2014
Jennifer Dunn	Board Secretary/ District Treasurer	2014
Walk & Murphy	Attorney	2014
Lynch Dallas	Attorney	2014
Ahler's & Cooney	Attorney	2014

RICEVILLE COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Riceville Community School District, Riceville Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Riceville Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan and the financial statements for the discretely presented component unit on pages 7 through 16 and 40 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Riceville Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years year ended June 30, 2011 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2014, on our consideration of Riceville Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

December 9, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Riceville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,252,695 in fiscal 2013 to \$3,239,858 in fiscal 2014, and General Fund expenditures decreased from \$3,028,884 in fiscal 2013 to \$3,024,000 in fiscal 2014. This resulted in an increase in the District's General Fund balance from \$926,704 at June 30, 2013 to \$1,142,562, at June 30, 2014, a 23.29% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local source revenue received in fiscal 2014 compared to fiscal 2013. The decrease in expenditures was due primarily to a decrease in support service expenditures compared to the prior year.

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 Position and a Statement of Activities. These provide information about the activities of Riceville Community School District as a whole and present an overall view of the District's finances.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Riceville Community School District Annual Financial Report

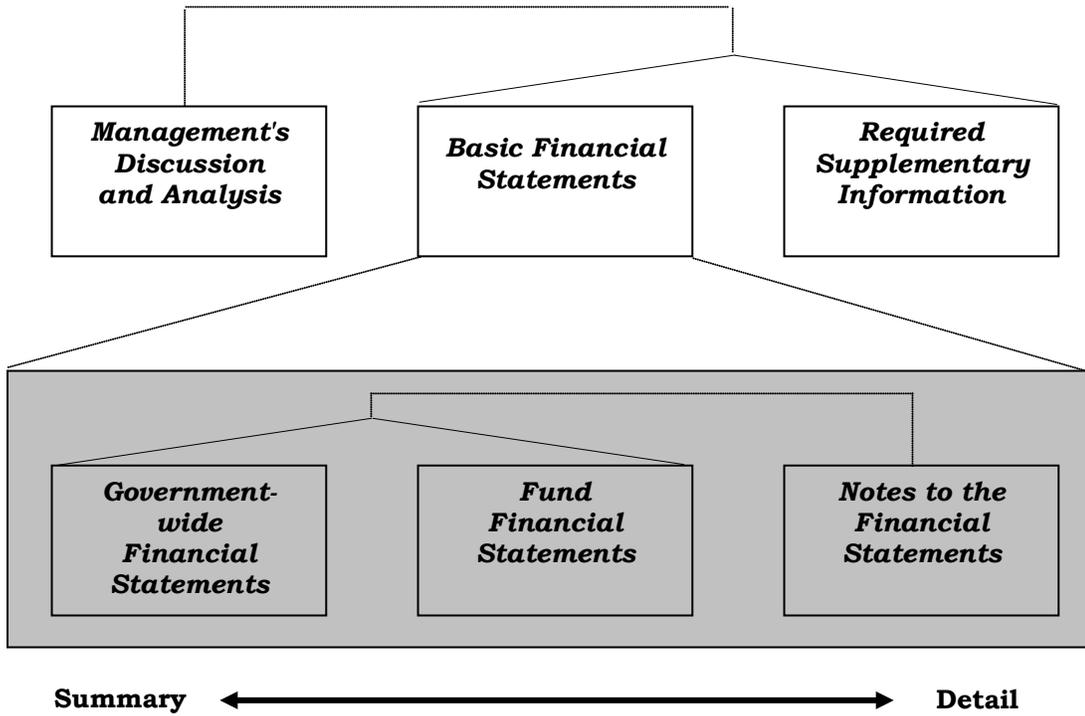


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows or resources, with the difference reported as net position. 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 position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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.
- *Component unit:* The Buresh Trust was established to provide post high school scholarship support to graduates of the school.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund includes the Agency Fund.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3							
Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 4,991,845	4,349,634	43,058	9,354	5,034,903	4,358,988	15.51%
Capital assets	1,110,466	1,159,196	31,948	35,949	1,142,414	1,195,145	-4.41%
Total assets	6,102,311	5,508,830	75,006	45,303	6,177,317	5,554,133	11.22%
Long-term liabilities	129,524	241,772	10,192	7,875	139,716	249,647	-44.03%
Other liabilities	349,379	460,543	9,311	4,580	358,690	465,123	-22.88%
Total liabilities	478,903	702,315	19,503	12,455	498,406	714,770	-30.27%
Deferred inflows of resources	1,850,961	1,812,738	-	-	1,850,961	1,812,738	2.11%
Net position:							
Net investment in capital assets	1,100,509	1,119,367	31,948	35,949	1,132,457	1,155,316	-1.98%
Restricted	1,579,075	1,095,178	-	-	1,579,075	1,095,178	44.18%
Unrestricted	1,092,863	779,232	23,555	(3,101)	1,116,418	776,131	43.84%
Total net position	\$ 3,772,447	2,993,777	55,503	32,848	3,827,950	3,026,625	26.48%

The District's combined net position increased by \$801,325 or by 26.48%, over the prior year. A portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$483,897, or 44.18% over the prior year. The increase is primarily due to the increase in fund balances of the Capital Projects: Statewide Sales, Services and Use Tax, Capital Projects: Physical Plant and Equipment Levy Fund and the Management Levy Fund during the year.

Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$340,287, or 43.84%. This increase in unrestricted net position was primarily a result of the increase in fund balance in the District's General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to June 30, 2013.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 381,078	403,132	116,420	101,967	497,498	505,099	-1.50%
Operating grants and contributions and restricted interest	369,329	353,239	78,793	70,642	448,122	423,881	5.72%
General revenues:							
Property tax	1,814,256	1,612,347	-	-	1,814,256	1,612,347	12.52%
Income surtax	231,189	216,160	-	-	231,189	216,160	6.95%
Statewide sales, services and use tax	251,362	231,845	-	-	251,362	231,845	8.42%
Unrestricted state grants	1,023,346	873,867	-	-	1,023,346	873,867	17.11%
Unrestricted investment earnings	3,814	4,739	13	13	3,827	4,752	-19.47%
Other	84,301	156,603	435	1,027	84,736	157,630	-46.24%
Total revenues	4,158,675	3,851,932	195,661	173,649	4,354,336	4,025,581	8.17%
Program expenses:							
Instructional	2,085,768	2,090,778	-	-	2,085,768	2,090,778	-0.24%
Support services	1,093,620	1,295,755	9,066	10,487	1,102,686	1,306,242	-15.58%
Non-instructional programs	1,096	1,440	163,940	201,539	165,036	202,979	-18.69%
Other expenditures	199,521	217,322	-	-	199,521	217,322	-8.19%
Total expenses	3,380,005	3,605,295	173,006	212,026	3,553,011	3,817,321	-6.92%
Excess(Deficiency) of revenues over (under) expenses	778,670	246,637	22,655	(38,377)	801,325	208,260	-284.77%
Transfers	-	(60)	-	60	-	-	0.00%
Change in net position	778,670	246,577	22,655	(38,317)	801,325	208,260	-284.77%
Beginning net position	2,993,777	2,747,200	32,848	71,165	3,026,625	2,818,365	7.39%
Ending net position	\$ 3,772,447	2,993,777	55,503	32,848	3,827,950	3,026,625	26.48%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 79.84% of the revenue from governmental activities while charges for service and operating grants and contributions account for 99.77% of the revenue from business type activities.

The District's total revenues were approximately \$4.35 million of which approximately \$4.16 million was for governmental activities and approximately \$0.19 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 8.17% increase in revenues and a 6.92% decrease in expenses. The increase in revenue is primarily due to the increase in unrestricted state grant revenue received while the decrease in expenses was related to decreases in expenditures in the non-instructional programs functional area due to decreases in salaries and related benefits paid by the School Nutrition Fund.

Governmental Activities

Revenues for governmental activities were \$4,158,675 and expenses were \$3,380,005.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 2,085,768	2,090,778	-0.24%	1,466,561	1,457,938	0.59%
Support services	1,093,620	1,295,755	-15.60%	1,093,335	1,295,555	-15.61%
Non-instructional programs	1,096	1,440	100.00%	1,096	1,440	-23.89%
Other expenses	199,521	217,322	-8.19%	68,606	93,991	-27.01%
Totals	\$ 3,380,005	3,605,295	-6.25%	2,629,598	2,848,924	-7.70%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$381,078.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$369,329.
- The net cost of governmental activities was financed with \$1,814,256 in property tax, \$231,189 in income surtax, \$251,362 in statewide sales, services and use tax, \$1,023,346 in unrestricted state grants, \$3,814 in interest income, and \$84,301 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$195,661 and expenses were \$173,006. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,597,506, above last year's ending fund balances of \$1,908,922. The primary reason for the increase in combined fund balances in fiscal 2014 was due to the increase in the General and Capital Projects: Statewide Sales, Services and Use Tax and Capital Projects: Physical, Plant and Equipment Levy Funds.

Governmental Fund Highlights

- The General Fund Balance increased from \$926,704 at June 30, 2013 to \$1,142,562 at June 30, 2014. The primary reason for this increase in fund balance was an increase in state revenue sources received compared to the prior year. Also, General Fund revenues outpaced expenditures during the year.
- The Capital Projects Fund balance increased from \$563,485 at June 30, 2013 to \$997,581 at June 30, 2014. The Capital Projects: Statewide Sales, Service and Use Tax Fund increased from \$527,127 at June 30, 2013 to \$713,080 at June 30, 2014 while the Capital Projects: Physical, Plant and Equipment Levy increased from \$36,358 at June 30, 2013 to \$284,771 at June 30, 2014. The primary reasons for these increase in fund balance is a decrease in capital outlay expenditures incurred during fiscal 2014.
- The Management Levy Fund balance increased from \$375,721 at June 30, 2013 to \$411,033 at June 30, 2014. The primary reason for this increase in fund balance is the new management tax levied for fiscal 2014 compared to none in the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$32,848 at June 30, 2013 to \$55,503 at June 30, 2014, representing an increase of 68.97%. Revenues increased over the prior year primarily due to increased revenue from charges for service, expenditures also decreased during the year due to a decrease in salaries and benefits paid.

BUDGETARY HIGHLIGHTS

The District's revenues were \$2,977 less than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$1,142,414, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$175,278.

The original cost of the District's capital assets was \$4,337,886. Governmental funds account for \$4,177,840 with the remainder of \$160,046 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$274,394 at June 30, 2014 as compared to \$325,490 at June 30, 2013, due primarily to the depreciation expense incurred during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 37,000	37,000	-	-	37,000	37,000	0.00%
Buildings	802,617	801,966	-	-	802,617	801,966	0.08%
Land improvements	28,403	30,689	-	-	28,403	30,689	-8.05%
Machinery and equipment	242,446	289,541	31,948	35,949	274,394	325,490	-18.62%
Total	\$ 1,110,466	1,159,196	31,948	35,949	1,142,414	1,195,145	-4.41%

Long-Term Debt

At June 30, 2014, the District had \$139,716 in contracts payable, computer lease payable and other long-term debt outstanding. This represents a decrease of 44.03% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding contracts payable indebtedness of \$9,957 at June 30, 2014, payable from the Capital Projects: Physical, Plant and Equipment Levy Fund.

The District had total outstanding computer lease indebtedness of \$49,818 at June 30, 2014, payable from the Capital Projects: Physical, Plant and Equipment Levy Fund.

The District had a net OPEB liability of \$79,941 at June 30, 2014. Governmental activities account for \$69,749 and business type activities account for \$10,192 of the total.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Contracts payable	\$ 9,957	39,829	-	-	9,957	39,829	-75.00%
Computer lease	49,818	148,051	-	-	49,818	148,051	-66.35%
Net OPEB liability	69,749	53,892	10,192	7,875	79,941	61,767	29.42%
Total	\$ 129,524	241,772	10,192	7,875	139,716	249,647	-44.03%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- For fiscal year 2014, certified enrollment showed an increase of 22.41 students. Projections for the next few years also indicate the District should expect an increase in enrollment of approximately 10 students each year. Increased enrollment would increase District funding in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jennifer Dunn, Board Secretary/District Treasurer, Riceville Community School District, 912 Woodland Ave., Riceville, Iowa, 50603.

BASIC FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Unit*
	Governmental Activities	Business Type Activities	Total	Henry W. Buresh Trust
ASSETS				
Cash and pooled investments:	\$ 2,708,584	30,540	2,739,124	1,804,431
Receivables:				
Property tax:				
Delinquent	12,515	-	12,515	-
Succeeding year	1,850,961	-	1,850,961	-
Income surtax	194,038	-	194,038	-
Accounts	62,977	-	62,977	-
Due from other governments	162,770	1,416	164,186	-
Inventories	-	11,102	11,102	-
Capital assets, net of accumulated depreciation	1,110,466	31,948	1,142,414	-
TOTAL ASSETS	6,102,311	75,006	6,177,317	1,804,431
LIABILITIES				
Accounts payable	93,165	10	93,175	-
Salaries and benefits payable	256,175	5,426	261,601	-
Accrued interest payable	39	-	39	-
Unearned revenue	-	3,875	3,875	-
Long-term liabilities:				
Portion due within one year:				
Contract payable	9,957	-	9,957	-
Computer lease	49,818	-	49,818	-
Net OPEB liability	69,749	10,192	79,941	-
TOTAL LIABILITIES	478,903	19,503	498,406	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable property tax revenue	1,850,961	-	1,850,961	-
NET POSITION				
Net investment in capital assets	1,100,509	31,948	1,132,457	-
Restricted for:				
Scholarships	-	-	-	1,804,431
Categorical funding	124,131	-	124,131	-
Management levy purposes	411,033	-	411,033	-
Student activities	46,060	-	46,060	-
School infrastructure	713,080	-	713,080	-
Physical plant and equipment	284,771	-	284,771	-
Unrestricted	1,092,863	23,555	1,116,418	-
TOTAL NET POSITION	\$ 3,772,447	55,503	3,827,950	1,804,431

* The component unit information is for year end August 31, 2013.

SEE NOTES TO FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit** Henry W. Buresh Trust
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Primary Government		Total	
				Governmental Activities	Business Type Activities		
Governmental activities:							
Instruction:							
Regular	\$ 1,168,421	268,343	41,145	(858,933)	-	(858,933)	-
Special	441,367	34,708	54,596	(352,063)	-	(352,063)	-
Other	475,980	78,027	142,388	(255,565)	-	(255,565)	-
	<u>2,085,768</u>	<u>381,078</u>	<u>238,129</u>	<u>(1,466,561)</u>	<u>-</u>	<u>(1,466,561)</u>	<u>-</u>
Support services:							
Student	28,991	-	85	(28,906)	-	(28,906)	-
Instructional staff	151,517	-	-	(151,517)	-	(151,517)	-
Administration	326,087	-	-	(326,087)	-	(326,087)	-
Operation and maintenance of plant	352,617	-	-	(352,617)	-	(352,617)	-
Transportation	234,408	-	200	(234,208)	-	(234,208)	-
	<u>1,093,620</u>	<u>-</u>	<u>285</u>	<u>(1,093,335)</u>	<u>-</u>	<u>(1,093,335)</u>	<u>-</u>
Non-instructional programs:							
Food service operations	1,096	-	-	(1,096)	-	(1,096)	-
Long-term debt interest	2,271	-	-	(2,271)	-	(2,271)	-
Other expenditures:							
AEA flowthrough	130,915	-	130,915	-	-	-	-
Depreciation(unallocated)*	66,335	-	-	(66,335)	-	(66,335)	-
	<u>197,250</u>	<u>-</u>	<u>130,915</u>	<u>(66,335)</u>	<u>-</u>	<u>(66,335)</u>	<u>-</u>
Total governmental activities	<u>3,380,005</u>	<u>381,078</u>	<u>369,329</u>	<u>(2,629,598)</u>	<u>-</u>	<u>(2,629,598)</u>	<u>-</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	9,066	-	-	-	(9,066)	(9,066)	-
Non-instructional programs:							
Nutrition services	163,940	116,420	78,793	-	31,273	31,273	-
Total business type activities	<u>173,006</u>	<u>116,420</u>	<u>78,793</u>	<u>-</u>	<u>22,207</u>	<u>22,207</u>	<u>-</u>
Total primary government	<u>\$ 3,553,011</u>	<u>497,498</u>	<u>448,122</u>	<u>(2,629,598)</u>	<u>22,207</u>	<u>(2,607,391)</u>	<u>-</u>
Total component unit	<u>\$ 85,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(85,727)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 1,566,725	-	1,566,725	-
Capital outlay				247,531	-	247,531	-
Income surtax				231,189	-	231,189	-
Statewide sales, services and use tax				251,362	-	251,362	-
Unrestricted state grants				1,023,346	-	1,023,346	-
Unrestricted investment earnings				3,814	13	3,827	52,672
Other general revenues				84,301	435	84,736	-
Total general revenues				<u>3,408,268</u>	<u>448</u>	<u>3,408,716</u>	<u>52,672</u>
Change in net position				<u>778,670</u>	<u>22,655</u>	<u>801,325</u>	<u>(33,055)</u>
Net position beginning of year				<u>2,993,777</u>	<u>32,848</u>	<u>3,026,625</u>	<u>1,837,486</u>
Net position end of year				<u>\$ 3,772,447</u>	<u>55,503</u>	<u>3,827,950</u>	<u>1,804,431</u>

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

** The component unit information is for year ended August 31, 2013.

SEE NOTES TO FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Management Levy	Capital Projects	Nonmajor: Student Activity	Total
ASSETS					
Cash and pooled investments	\$ 1,322,408	410,305	931,020	44,851	2,708,584
Receivables:					
Property tax:					
Delinquent	10,516	728	1,271	-	12,515
Succeeding year	1,459,767	100,000	291,194	-	1,850,961
Income surtax	88,199	-	105,839	-	194,038
Accounts	62,612	-	-	365	62,977
Due from other funds	-	-	-	1,606	1,606
Due from other governments	97,210	-	65,560	-	162,770
TOTAL ASSETS	\$ 3,040,712	511,033	1,394,884	46,822	4,993,451
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ 1,606	-	-	-	1,606
Accounts payable	92,403	-	-	762	93,165
Salaries and benefits payable	256,175	-	-	-	256,175
Total liabilities	350,184	-	-	762	350,946
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,459,767	100,000	291,194	-	1,850,961
Income surtax	88,199	-	105,839	-	194,038
Total deferred inflows of resources	1,547,966	100,000	397,033	-	2,044,999
Fund balances:					
Restricted for:					
Categorical funding	124,131	-	-	-	124,131
Management levy purposes	-	411,033	-	-	411,033
Student activities	-	-	-	46,060	46,060
School infrastructure	-	-	713,080	-	713,080
Physical plant and equipment	-	-	284,771	-	284,771
Unassigned	1,018,431	-	-	-	1,018,431
Total fund balances	1,142,562	411,033	997,851	46,060	2,597,506
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,040,712	511,033	1,394,884	46,822	4,993,451

SEE NOTES TO FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$ 2,597,506
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	1,110,466
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(39)
Accounts receivable income surtax, are not yet available to pay current year expenditures and there fore, are recognized as deferred inflows of resources in the govenemental funds.	194,038
Long-term liabilities, contract payable, lease payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(129,524)</u>
Net position of governmental activities(page 18)	<u><u>\$ 3,772,447</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Management Levy	Capital Projects	Nonmajor: Student Activity	Nonmajor: Debt Service	Total
REVENUES:						
Local sources:						
Local tax	\$ 1,466,636	100,089	452,229	-	-	2,018,954
Tuition	286,149	-	-	-	-	286,149
Other	105,649	6,353	1,125	83,768	-	196,895
State sources	1,163,902	-	251,362	-	-	1,415,264
Federal sources	214,922	-	-	-	-	214,922
TOTAL REVENUES	3,237,258	106,442	704,716	83,768	-	4,132,184
EXPENDITURES:						
Current:						
Instruction:						
Regular	1,168,211	12,196	-	-	-	1,180,407
Special	438,581	-	-	-	-	438,581
Other	393,873	-	-	80,720	-	474,593
	2,000,665	12,196	-	80,720	-	2,093,581
Support services:						
Student	28,242	480	-	-	-	28,722
Instructional staff	106,291	240	9,849	-	-	116,380
Administration	309,428	12,156	1,680	-	-	323,264
Operation and maintenance of plant	277,821	36,117	33,267	-	-	347,205
Transportation	170,638	8,845	24,533	-	-	204,016
	892,420	57,838	69,329	-	-	1,019,587
Non-instructional programs:						
Food service operations	-	1,096	-	-	-	1,096
Capital outlay	-	-	70,568	-	-	70,568
Long-term debt:						
Principal	-	-	-	-	128,105	128,105
Interest and fiscal charges	-	-	-	-	2,348	2,348
	-	-	-	-	130,453	130,453
Other expenditures:						
AEA flowthrough	130,915	-	-	-	-	130,915
TOTAL EXPENDITURES	3,024,000	71,130	139,897	80,720	130,453	3,446,200
Excess(Deficiency) of revenues over(under) expenditures	213,258	35,312	564,819	3,048	(130,453)	685,984
OTHER FINANCING SOURCES(USES):						
Transfer in	-	-	-	-	130,453	130,453
Transfer out	-	-	(130,453)	-	-	(130,453)
Sale of equipment	2,600	-	-	-	-	2,600
Total other financing sources(uses)	2,600	-	(130,453)	-	130,453	2,600
Change in fund balances	215,858	35,312	434,366	3,048	-	688,584
Fund balance beginning of year	926,704	375,721	563,485	43,012	-	1,908,922
Fund balance end of year	\$ 1,142,562	411,033	997,851	46,060	-	2,597,506

SEE NOTES TO FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014

Change in fund balances - total governmental funds(page 22) \$ 688,584

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

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

Capital outlay	\$ 120,330	
Depreciation expense	(169,060)	(48,730)

Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 128,105

Income surtax accounts receivable is not available revenue and is recognized as deferred inflows of resources in the governmental funds. 26,491

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. 77

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:

Other postemployment benefits	(15,857)
-------------------------------	----------

Change in net position of governmental activities(page 19) \$ 778,670

SEE NOTES TO FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2014

	Enterprise School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 30,540
Due from other governments	1,416
Inventories	11,102
	<u>43,058</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	31,948
TOTAL ASSETS	<u><u>75,006</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	10
Salaries and benefits payable	5,426
Unearned revenue	3,875
Total current liabilities	<u>9,311</u>
Noncurrent liabilities:	
Net OPEB liability	10,192
TOTAL LIABILITIES	<u><u>19,503</u></u>
NET POSITION	
Net investment in capital assets	31,948
Unrestricted	23,555
TOTAL NET POSITION	<u><u>\$ 55,503</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 116,420
Miscellaneous	435
TOTAL OPERATING REVENUES	116,855
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Services	1,021
Supplies	8,045
Total support services	9,066
Non-instructional programs:	
Food service operations:	
Salaries	46,777
Benefits	22,886
Supplies	87,884
Depreciation	6,218
Other	175
Total non-instructional programs	163,940
TOTAL OPERATING EXPENSES	173,006
OPERATING LOSS	(56,151)
NON-OPERATING REVENUES:	
State sources	1,468
Federal sources	77,325
Interest income	13
TOTAL NON-OPERATING REVENUES	78,806
Change in net position	22,655
Net position beginning of year	32,848
Net position end of year	\$ 55,503

SEE NOTES TO FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

		Enterprise School Nutrition
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$	116,242
Cash received from miscellaneous activities		435
Cash payments to employees for services		(62,447)
Cash payments to suppliers for goods or services		(90,214)
Net cash used in operating activities		(35,984)
Cash flows from non-capital financing activities:		
State grants received		1,468
Federal grants received		66,324
Net cash provided by non-capital financing activities		67,792
Cash flows from capital financing activities:		
Acquisition of assets		(2,217)
Cash flows from investing activities:		
Interest on investments		13
Net increase in cash and cash equivalents		29,604
Cash and cash equivalents at beginning of year		936
Cash and cash equivalents at end of year	\$	30,540
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$	(56,151)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities used		9,585
Depreciation		6,218
Increase in inventories		(2,684)
Increase in accounts payable		10
Increase in salaries and benefits payable		4,899
Decrease in deferred revenue		(178)
Increase in other postemployment benefits		2,317
Net cash used in operating activities	\$	(35,984)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$9,585.

SEE NOTES TO FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2014

	<u>Agency</u>
ASSETS	
Due from other groups	<u>\$ 25</u>
LIABILITIES	
Accounts payable	<u>\$ 25</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

RICEVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Riceville Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

Discretely Presented Component Unit - The Buresh Trust was established to provide post high school scholarship support to graduates of the school. The Trust is a separate legal entity with its own board of trustees and accounting records. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position 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.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation plus unspent bond proceeds reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints 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 segments are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position 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.

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances

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.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

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

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	3-10 years
Machinery and equipment	5-12 years

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

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

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

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

Deferred inflows or resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. As of June 30, 2014, the District had no investments.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Student Activity Fund	General Fund	<u>\$ 1,606</u>

The General Fund is repaying the Student Activity Fund for yearbook deposits which were received to the wrong fund.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Physical Plant and Equipment Levy	<u>\$ 130,453</u>

The Capital Projects: Physical Plant and Equipment Levy Fund transferred money to the Debt Service Fund for the principal payment on the District's lighting improvements contract indebtedness and the principal and interest on the District's computer lease indebtedness.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2014 is 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	\$ 37,000	-	-	37,000
Total capital assets not being depreciated	<u>37,000</u>	<u>-</u>	<u>-</u>	<u>37,000</u>
Capital assets being depreciated:				
Buildings	2,525,596	64,700	-	2,590,296
Land improvements	342,249	-	-	342,249
Machinery and equipment	1,167,565	55,630	14,900	1,208,295
Total capital assets being depreciated	<u>4,035,410</u>	<u>120,330</u>	<u>14,900</u>	<u>4,140,840</u>
Less accumulated depreciation for:				
Buildings	1,723,630	64,049	-	1,787,679
Land improvements	311,560	2,286	-	313,846
Machinery and equipment	878,024	102,725	14,900	965,849
Total accumulated depreciation	<u>2,913,214</u>	<u>169,060</u>	<u>14,900</u>	<u>3,067,374</u>
Total capital assets being depreciated, net	<u>1,122,196</u>	<u>(48,730)</u>	<u>-</u>	<u>1,073,466</u>
Governmental activities capital assets, net	<u>\$ 1,159,196</u>	<u>(48,730)</u>	<u>-</u>	<u>1,110,466</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 159,779	2,217	1,950	160,046
Less accumulated depreciation	123,830	6,218	1,950	128,098
Business type activities capital assets, net	\$ 35,949	(4,001)	-	31,948

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 8,724
Support services:		
Instructional staff		34,599
Operation and maintenance of plant		1,955
Transportation		57,447
		102,725
Unallocated depreciation		66,335
Total governmental activities depreciation expense		\$ 169,060
Business type activities:		
Food service operations		\$ 6,218

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Reduction	Balance End of Year	Due Within One Year
Governmental activities:					
Contract payable	\$ 39,829	-	29,872	9,957	9,957
Computer lease	148,051	-	98,233	49,818	49,818
Net OPEB liability	53,892	15,857	-	69,749	-
Total	\$ 241,772	15,857	128,105	129,524	59,775
Business type activities					
Net OPEB liability	\$ 7,875	2,317	-	10,192	-

Contract Payable

During the year ended June 30, 2009, the District entered into a contract for lighting improvements. The contract is payable from the Capital Projects: Physical Plant and Equipment Levy account. Details of the District's June 30, 2014 indebtedness is as follows:

Year Ending June 30,	Contract payable Principal
2015	\$ 9,957

Computer Lease

Details of the District's June 30, 2014 computer lease indebtedness are as follows:

Year Ending June 30,	Computer lease of June 15, 2011			
	Interest Rate	Principal	Interest	Total
2015	1.90%	\$ 49,818	473	50,291

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$140,219, \$147,438 and \$157,955, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health plan which provides medical benefits for employees, retirees and their spouses. There are 38 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	28,281
Interest on net OPEB obligation		1,544
Adjustment to annual required contribution		(7,348)
Annual OPEB cost		<u>22,477</u>
Contributions made		<u>(4,303)</u>
Increase in net OPEB obligation		18,174
Net OPEB obligation beginning of year		<u>61,767</u>
Net OPEB obligation end of year	\$	<u><u>79,941</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the ended June 30, 2014, the District contributed \$4,303 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 21,438	17.42%	\$ 43,315
2013	27,941	33.96%	61,767
2014	22,477	19.14%	79,941

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$115,224, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$115,224. The covered payroll (annual payroll of active employees covered by the plan) was \$1,768,886 and the ratio of UAAL to covered payroll was 6.5%. As of June 30, 2014 there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy and a health cost trend rate of 6% per year.

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

(9) Risk Management

The District is a member in the Iowa Star Schools Employees Benefits Health Plan, an Iowa Code Chapter 28E organization. Iowa Star Schools was set up for the purpose of managing and funding employee benefits. Iowa Star Schools provides medical coverage and protection. District contributions to Iowa Star Schools for the year ended June 30, 2014 were \$333,089.

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$130,915 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Operating Lease Commitment

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

Year Ending June 30,	Lease Payment
2015	\$ 6,894
2016	6,894
2017	575
Total	<u>\$ 14,363</u>

(12) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Dropout and dropout prevention	\$ 11,978
Beginning teacher mentoring and induction program	3,264
Teacher salary supplement	12,138
Iowa early intervention block grant	23,060
Successful progression for early readers	14,009
Professional development for model core curriculum	19,458
Professional development	34,142
Teacher leadership grants	6,082
Total	<u>\$ 124,131</u>

(13) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is the following:

	Invested in Capital Assets	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	1,018,431
Invested in capital assets, net of accumulated depreciation	1,110,466	-
Lighting contract capitalized indebtedness	(9,957)	-
Computer lease indebtedness	-	(49,818)
Accrued interest payable	-	(39)
Income Surtax	-	194,038
Net OPEB liability	-	(69,749)
Net position (Exhibit A)	\$ 1,100,509	1,092,863

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68 Accounting and Financial Reporting for Pensions - an Amendment to GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

RICEVILLE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 2,501,998	116,868	2,618,866	2,835,660	2,835,660	(216,794)
State sources	1,415,264	1,468	1,416,732	1,170,831	1,170,831	245,901
Federal sources	214,922	77,325	292,247	324,331	324,331	(32,084)
Total revenues	4,132,184	195,661	4,327,845	4,330,822	4,330,822	(2,977)
Expenditures/expenses:						
Instruction	2,093,581	-	2,093,581	2,234,125	2,234,125	140,544
Support services	1,019,587	9,066	1,028,653	1,307,875	1,307,875	279,222
Non-instructional programs	1,096	163,940	165,036	181,650	181,650	16,614
Other expenditures	331,936	-	331,936	575,708	575,708	243,772
Total expenditures/expenses	3,446,200	173,006	3,619,206	4,299,358	4,299,358	680,152
Excess(Deficiency) of revenues over(under) expenditures/expenses	685,984	22,655	708,639	31,464	31,464	677,175
Other financing sources, net	2,600	-	2,600	-	-	2,600
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	688,584	22,655	711,239	31,464	31,464	679,775
Balance beginning of year	1,908,922	32,848	1,941,770	1,639,266	1,639,266	302,504
Balance end of year	\$ 2,597,506	55,503	2,653,009	1,670,730	1,670,730	982,279

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

RICEVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 187,657	187,657	0.0%	\$ 2,567,079	7.3%
2011	July 1, 2009	-	178,423	178,423	0.0%	2,631,601	6.8%
2012	July 1, 2009	-	157,291	157,291	0.0%	2,360,607	6.7%
2013	July 1, 2012	-	131,682	131,682	0.0%	1,767,450	7.5%
2014	July 1, 2012	-	115,224	115,224	0.0%	1,768,886	6.5%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

RICEVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND NET POSITION
COMPONENT UNIT
AUGUST 31, 2013

	Henry W. Buresh Trust
ASSETS	
Cash and cash equivalents	\$ 1,804,431
LIABILITIES	
	-
NET POSITION	
Restricted for scholarships	\$ 1,804,431

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

RICEVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPONENT UNIT
AUGUST 31, 2013

	Henry W. Buresh Trust
Revenue:	
Investment income	\$ 52,672
Expenses:	
Grants and similar amounts paid:	
Scholarships	84,290
Other:	
Legal fees	1,277
Compensation of trustees	84
Printing and publications	51
Court costs	25
Total expenses	85,727
Change in net position	(33,055)
Net position beginning of year	1,837,486
Net position end of year	\$ 1,804,431

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

RICEVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 647,520	283,500	931,020
Receivables:			
Property tax:			
Delinquent	-	1,271	1,271
Succeeding year	-	291,194	291,194
Income surtax	-	105,839	105,839
Due from other governments	65,560	-	65,560
TOTAL ASSETS	\$ 713,080	681,804	1,394,884
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	\$ -	291,194	291,194
Income surtax	-	105,839	105,839
Total liabilities	-	397,033	397,033
Fund balances:			
Restricted for:			
School infrastructure	713,080	-	713,080
Physical plant and equipment	-	284,771	284,771
Total fund balances	713,080	284,771	997,851
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 713,080	681,804	1,394,884

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

RICEVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	452,229	452,229
Other	820	305	1,125
State sources	251,362	-	251,362
TOTAL REVENUES	252,182	452,534	704,716
EXPENDITURES:			
Current:			
Support services:			
Instructional	-	9,849	9,849
Administration	-	1,680	1,680
Operation and maintenance of plant	1,529	31,738	33,267
Transportation	-	24,533	24,533
Capital outlay	64,700	5,868	70,568
TOTAL EXPENDITURES	66,229	73,668	139,897
Excess of revenues over expenditures	185,953	378,866	564,819
OTHER FINANCING USES:			
Transfer out	-	(130,453)	(130,453)
Change in fund balances	185,953	248,413	434,366
Fund balance beginning of year	527,127	36,358	563,485
Fund balance end of year	\$ 713,080	284,771	997,851

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

RICEVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
DRAMA AND SPEECH	\$ 1,302	2,738	2,580	-	1,460
VOCAL	422	1,153	819	-	756
INSTRUMENTAL	2,421	1,811	2,263	-	1,969
ATHLETICS	329	29,498	25,810	-	4,017
WRESTLING	479	106	114	-	471
GIRLS BASKETBALL	173	367	430	-	110
VOLLEYBALL	1,300	906	1,755	-	451
BOYS BASKETBALL	141	3,639	3,639	-	141
SOFTBALL	2,541	3,775	2,437	-	3,879
BASEBALL	1,818	2,930	2,634	-	2,114
ANNUAL	-	2,270	4,192	1,941	19
FOOTBALL CHEERLEADING	877	1,131	296	-	1,712
BASKEBALL CHEERLEADING	398	95	-	258	751
WRESTLING CHEERLEADING	258	-	-	(258)	-
HONOR SOCIETY	67	18	85	-	-
FFA	12,621	31,023	29,525	-	14,119
HS STUDENT COUNCIL	316	241	266	-	291
MS STUDENT COUNCIL	55	-	-	-	55
SENIOR GRADUATION	362	-	-	-	362
SPECIAL PLANS	4	25	25	-	4
FOOD AND FITNESS	5,006	100	521	-	4,585
CLASS OF 2010	68	-	-	(68)	-
CLASS OF 2011	997	-	-	(997)	-
CLASS OF 2012	876	-	-	(876)	-
CLASS OF 2013	79	-	-	-	79
CLASS OF 2014	902	220	967	-	155
CLASS OF 2015	4,817	-	1,522	-	3,295
CLASS OF 2016	675	254	-	-	929
CLASS OF 2017	1,693	300	21	-	1,972
CLASS OF 2018	1,127	25	190	-	962
CLASS OF 2019	888	398	238	-	1,048
CLASS OF 2020	-	745	391	-	354
Total	\$ 43,012	83,768	80,720	-	46,060

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

RICEVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 201	235	436	-
Due from other groups	-	25	-	25
TOTAL ASSETS	\$ 201	260	436	25
LIABILITIES				
Accounts payable	\$ 201	260	436	25

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 2,018,954	2,038,223	2,043,871	2,396,828	2,334,839	2,519,592	2,705,572	2,348,961	2,104,770	2,007,868
Tuition	286,149	268,413	127,393	255,777	321,711	294,574	223,692	216,260	195,239	156,087
Other	196,895	302,620	245,512	372,365	195,779	233,950	333,642	287,410	282,852	218,016
Intermediate sources	-	-	-	200	-	-	-	-	-	-
State sources	1,415,264	1,003,599	1,031,198	1,052,284	970,325	1,310,646	1,237,468	1,467,065	1,289,154	1,403,190
Federal sources	214,922	216,948	278,616	204,632	498,218	234,132	168,379	170,134	205,730	169,805
Total	<u>\$ 4,132,184</u>	<u>3,829,803</u>	<u>3,726,590</u>	<u>4,282,086</u>	<u>4,320,872</u>	<u>4,592,894</u>	<u>4,668,753</u>	<u>4,489,830</u>	<u>4,077,745</u>	<u>3,954,966</u>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,180,407	1,169,875	1,779,766	1,485,366	1,369,358	1,492,566	1,629,605	1,582,941	1,454,349	1,452,958
Special	438,581	425,509	346,918	428,050	428,948	458,464	253,381	573,884	419,474	368,598
Other	474,593	540,206	608,234	598,916	607,324	673,248	584,317	267,974	485,726	423,577
Support services:										
Student	28,722	36,006	70,152	56,262	54,092	81,566	80,494	79,853	92,833	117,210
Instructional staff	116,380	170,423	167,673	134,975	118,631	65,479	132,113	102,340	81,403	108,739
Administration	323,264	385,235	364,499	525,005	402,403	403,636	412,417	508,308	475,289	488,844
Operation and maintenance of plant	347,205	364,806	482,809	354,828	346,494	483,832	425,216	408,681	376,840	371,090
Transportation	204,016	393,691	273,614	215,008	201,150	227,922	399,862	340,750	367,977	269,025
Central support	-	-	-	-	-	-	-	-	-	97,791
Non-instructional programs	1,096	1,440	1,650	-	-	2,067	8,735	-	-	-
Capital outlay	70,568	242,497	42,322	346,132	76,967	194,779	512,096	268,998	299,453	180,233
Long-term debt:										
Principal	128,105	126,264	124,458	29,871	29,871	29,871	19,914	-	-	-
Interest and fiscal charges	2,348	4,189	5,995	-	-	-	-	-	-	-
Other expenditures:										
AEA flow-through	130,915	123,331	122,861	140,441	140,036	133,475	130,693	131,731	127,246	128,100
Total	<u>\$ 3,446,200</u>	<u>3,983,472</u>	<u>4,390,951</u>	<u>4,314,854</u>	<u>3,775,274</u>	<u>4,246,905</u>	<u>4,588,843</u>	<u>4,265,460</u>	<u>4,180,590</u>	<u>4,006,165</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

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

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Riceville Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2014.

Internal Control Over Financial Reporting

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

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

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 misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Riceville Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Riceville Community School District's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



NOLTE, CORNMAN & JOHNSON, P.C.

December 9, 2014
Newton, Iowa

RICEVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - recording and reconciling cash.
- 2) Disbursements - purchase order processing, check preparation, mailing and recording.
- 3) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 4) Transfers - preparing and approving.
- 5) Financial reporting - preparing, reconciling and approving.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.

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

Response - District will continue to attempt to maximize internal control given the constraints of only two office employees.

Conclusion - Response accepted.

RICEVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 did not exceed the amounts budgeted.

II-B-14 Questionable Disbursements - We noted during our audit that the District purchased a gift certificate from the Athletics account in the Student Activity Fund. Giving cash or gift certificates/cards does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - Gift cards are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to "audit and allow" all bills and the gift card does not provide the board with the ability to perform the required function of approval of the final purchase. The District should refrain from purchasing gift cards to be given as prizes, gifts or incentives.

Response - The District will no longer allow the purchase of gift cards/cash from the Activity Fund or any other District fund.

Conclusion - Response accepted.

II-C-14 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-14 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Janet Pickar, Secretary Son Owns Pickar-Lulman Plumbing and Heating	Purchased services	23,143

In accordance with Attorney General's opinion dated November 9, 1976, the above transactions with the son of a District employee does not appear to represent a conflict of interest.

II-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However we noted that board minutes were not signed by the Board President or Board Secretary.

Recommendation - The District should review its procedures to ensure that the board minutes are reviewed and signed by the Board President and Board Secretary.

Response - The District will ensure all board minutes will include any transactions requiring board approval, and that all minutes are approved with the signature of the board president and board secretary.

Conclusion - Response accepted.

II-G-14 Certified Enrollment - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted. However, the District did not meet the October 15th deadline for certifying enrollment for the fall of 2013 count date as required by Iowa Code 257.6 (7b).

Recommendation - The District should contract the Iowa Department of Education and Iowa Department of Management to resolve this matter and ensure that enrollment is certified on time to be in compliance with Iowa Code 257.6 (7b).

Response - The District will ensure certified enrollment will be certified by the due date going forward.

Conclusion - Response accepted.

II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-14 Deposits and Investments - We noted no instances on noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the Statewide Sales, Services and Use Tax revenue in the District's CAR:

Beginning balance		\$	527,127
Revenues:			
Sales tax revenues	\$	251,362	
Other local revenues		820	252,182
			<hr/>
			779,309
Expenditures:			
School infrastructure construction		64,700	
Equipment		1,529	66,229
			<hr/>
Ending balance		\$	<u><u>713,080</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-14 Interfund Loans - We noted during our audit that the District has an interfund loan which was on the balance sheet in the prior year and still on the current year balance sheets. As of June 30, 2014, the General Fund owes the Student Activity Fund \$1,606 that was outstanding from a prior year.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek outside funding to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should take steps to ensure compliance with the declaratory order issued April 11, 2008.

Response - The District has taken steps to pay back the interfund loan which was on the financial statements at June 30, 2014. The District will closely monitor interfund loan activity in the future.

Conclusion – Response accepted.

II-N-14 Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

Questionable Accounts: We noted the District is maintaining a Senior Graduation account and a Special Plans account in the Student Activity Fund. The Special Plans account was being used to record interest earned on the checking account and to pay for museum admissions. The Senior Graduation account is inactive but carrying a balance.

Recommendation - The District should review the propriety of revenues and expenses that are recorded in these accounts. It would appear that these accounts are administratively maintained, rather than maintained by a club or organization. The

District should review these accounts and reclassify/transfer to the appropriate accounts in the Student Activity Fund to be in compliance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1).

Response - The accounts have been moved within the activity fund per board approval. The Activity Fund will no longer host these types of accounts.

Conclusion - Response accepted.

II-O-14 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The District has begun maintaining timesheets for all non-certified staff coaches and will continue to implement and enforce the District's procedures.

Conclusion - Response accepted.