

RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Riverside Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Greg Hansen	President	2015
Murray Fenn	Vice President	2013
Matt Bowen	Board Member	2015
Mark Beedle	Board Member	2013
Phil Reed	Board Member	2013
Dan Ives	Board Member	2015
Jeff Buckingham	Board Member	2015
(After September 2013 Election)		
Greg Hansen	President	2015
Murray Fenn	Vice President	2017
Matt Bowen	Board Member	2015
Lindsay Bentley	Board Member	2017
Phil Reed	Board Member	2017
Dan Ives	Board Member	2015
Jeff Buckingham	Board Member	2015
School Officials		
Dr. James Sutton	Superintendent	2014
Tim Blum	Business Manager/ District Treasurer	2014
Marilyn Mickey	Board Secretary (Resigned May 2014)	2014
Terresa Grobe	Board Secretary (Appointed June 2014)	2014
Joseph Thorton	Attorney	2014

RIVERSIDE

CARSON-MACEDONIA-OAKLAND

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Riverside 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 Riverside Community School District, Carson, 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 Riverside Community School District as of June 30, 2014 and the respective changes in financial position and, when 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 Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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 of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Riverside Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five 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 four years ended June 30, 2008 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 May 26, 2015 on our consideration so Riverside 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, 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 in considering Riverside Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

May 26, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,902,907 in fiscal 2013 to \$6,981,447 in fiscal 2014, while General Fund expenditures increased from \$6,739,380 in fiscal 2013 to \$7,596,179 in fiscal 2014. The increase in revenues was less than the increase in expenditures resulting in a decrease in the District's General Fund balance from \$1,455,419 at June 30, 2013 to \$840,687 at June 30, 2014.
- The increase in General Fund revenues was attributable to an increase in federal source revenues. The increase in expenditures occurred primarily in the instruction and support services functional areas.

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Riverside Community School District Annual Financial Report

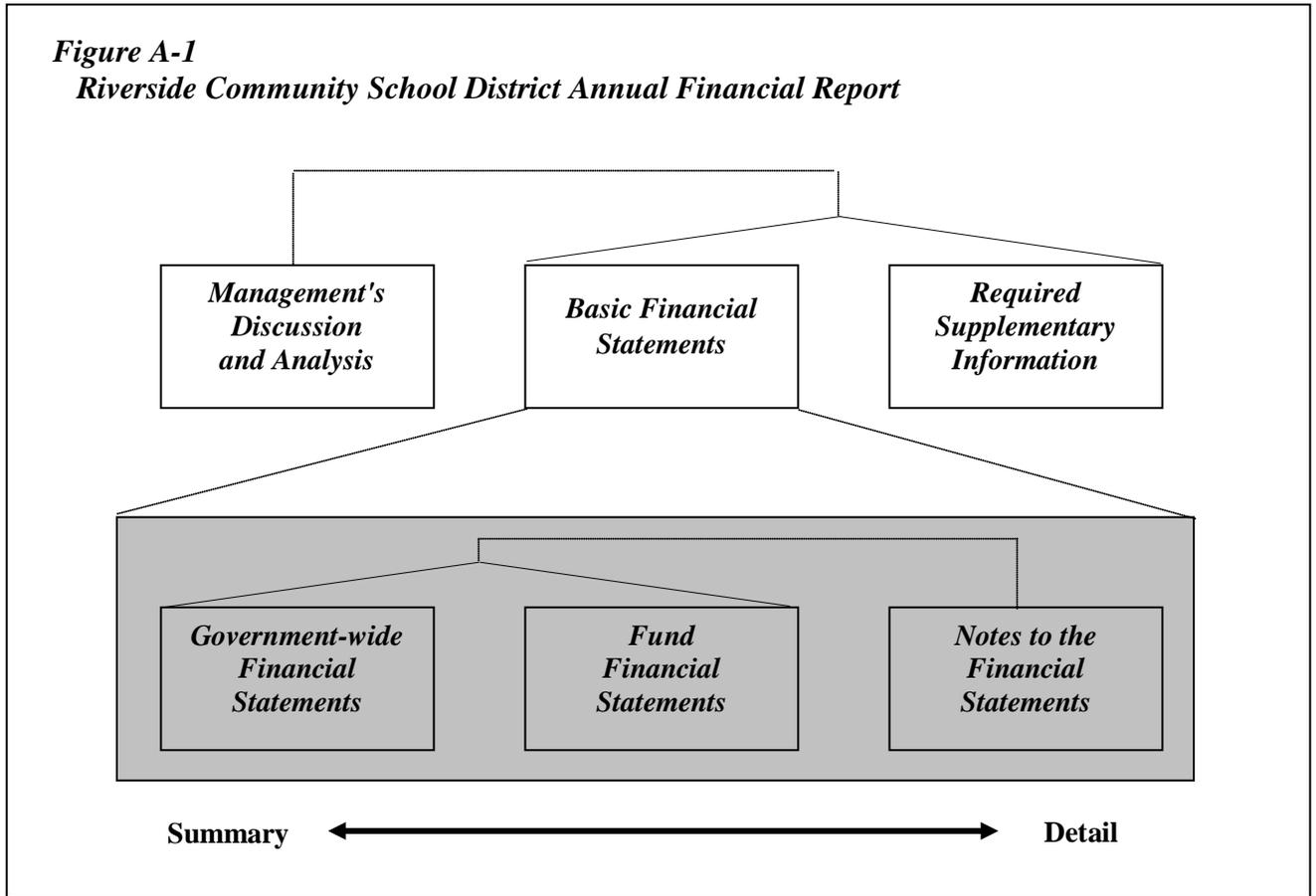


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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: 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 of 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 they have changed. Net position is one way to measure the District's financial health or 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.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

The required financial statements for fiduciary funds include the Statement of Fiduciary Net Position and the 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 year end 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	\$ 25,700,312	8,718,407	119,354	77,130	25,819,666	8,795,537	193.55%
Capital assets	4,597,742	2,879,974	19,021	21,956	4,616,763	2,901,930	59.09%
Total assets	<u>30,298,054</u>	<u>11,598,381</u>	<u>138,375</u>	<u>99,086</u>	<u>30,436,429</u>	<u>11,697,467</u>	<u>160.20%</u>
Long-term liabilities	18,752,645	796,469	37,297	34,046	18,789,942	830,515	2162.44%
Other liabilities	1,096,573	589,160	3,704	3,047	1,100,277	592,207	85.79%
Total liabilities	<u>19,849,218</u>	<u>1,385,629</u>	<u>41,001</u>	<u>37,093</u>	<u>19,890,219</u>	<u>1,422,722</u>	<u>1298.04%</u>
Deferred inflows of resources	4,032,772	3,034,759	-	-	4,032,772	3,034,759	32.89%
Net position:							
Net investment							
in capital assets	2,536,994	2,823,898	19,021	21,956	2,556,015	2,845,854	-10.18%
Restricted	4,005,342	3,709,758	-	-	4,005,342	3,709,758	7.97%
Unrestricted	(126,272)	644,337	78,353	40,037	(47,919)	684,374	-107.00%
Total net position	<u>\$ 6,416,064</u>	<u>7,177,993</u>	<u>97,374</u>	<u>61,993</u>	<u>6,513,438</u>	<u>7,239,986</u>	<u>-10.04%</u>

The District's combined net position decreased by 10.04%, or \$726,548, from the prior year. A large portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net 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 \$295,584, or 7.97% from the prior year. The increase was primarily a result of the increase in fund balance for the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net position - 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 - decreased \$732,293 or 107.00%. This decrease in unrestricted net position was primarily a result of the decrease in the General Fund balance.

Figure A-4 shows the changes in total net position for the year ended June 30, 2014 compared to the year ended 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	\$ 411,675	434,216	215,742	197,827	627,417	632,043	-0.73%
Operating grants, contributions and restricted interest	843,594	613,707	178,951	171,275	1,022,545	784,982	30.26%
General revenues:							
Property tax	3,034,721	3,032,575	-	-	3,034,721	3,032,575	0.07%
Income surtax	298,668	238,831	-	-	298,668	238,831	25.05%
Statewide sales, services and use tax	590,582	624,849	-	-	590,582	624,849	-5.48%
Unrestricted state grants	2,691,436	2,751,930	-	-	2,691,436	2,751,930	-2.20%
Unrestricted investment earnings	22,249	11,216	146	185	22,395	11,401	96.43%
Other	55,212	116,551	36,636	57,705	91,848	174,256	-47.29%
Total revenues	<u>7,948,137</u>	<u>7,823,875</u>	<u>431,475</u>	<u>426,992</u>	<u>8,379,612</u>	<u>8,250,867</u>	<u>1.56%</u>
Program expenses:							
Instruction	5,568,204	4,820,335	-	-	5,568,204	4,820,335	15.51%
Support services	2,476,762	1,988,373	6,459	-	2,483,221	1,988,373	24.89%
Non-instructional programs	-	-	389,635	364,127	389,635	364,127	7.01%
Other expenses	665,100	431,855	-	-	665,100	431,855	54.01%
Total expenses	<u>8,710,066</u>	<u>7,240,563</u>	<u>396,094</u>	<u>364,127</u>	<u>9,106,160</u>	<u>7,604,690</u>	<u>19.74%</u>
Change in net position	(761,929)	583,312	35,381	62,865	(726,548)	646,177	212.44%
Net position beginning of year	<u>7,177,993</u>	<u>6,594,681</u>	<u>61,993</u>	<u>(872)</u>	<u>7,239,986</u>	<u>6,593,809</u>	<u>9.80%</u>
Net position end of year	<u>\$ 6,416,064</u>	<u>7,177,993</u>	<u>97,374</u>	<u>61,993</u>	<u>6,513,438</u>	<u>7,239,986</u>	<u>-10.04%</u>

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 83.23% of the revenue from governmental activities while charges for service and operating grants and contributions account for 91.48% of the revenue from business type activities.

The District's total revenues were approximately \$8.38 million, of which approximately \$7.95 million was for governmental activities and approximately \$0.43 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.56% increase in revenues and a 19.74% increase in expenses. Revenues from operating grants, contributions and restricted interest increased \$237,563 to help fund the increase in expenses.

Governmental Activities

Revenues for governmental activities were \$7,948,137 and expenses were \$8,710,066 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses for the year ended June 30, 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	\$ 5,568,204	4,820,335	15.51%	4,670,289	4,114,922	13.50%
Support services	2,476,762	1,988,373	24.56%	2,381,003	1,895,785	25.59%
Other expenses	665,100	431,855	54.01%	403,505	181,933	121.79%
Totals	<u>\$ 8,710,066</u>	<u>7,240,563</u>	<u>20.30%</u>	<u>7,454,797</u>	<u>6,192,640</u>	<u>20.38%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$411,675.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$843,594.
- The net cost of governmental activities was financed with \$3,034,721 in property tax, \$298,668 in income surtax, \$590,582 in statewide sales, services and use tax, \$2,691,436 in unrestricted state grants, \$22,249 in interest income and \$55,212 in other general revenues.

Business Type Activities

Revenues of business type activities for the year ended June 30, 2014 were \$431,475 representing a 1.05% increase from the prior year, while expenses totaled \$396,094, a 8.78% increase from the prior year. The District's business type activities include the School Nutrition Fund, Day Care Fund and the FFA Farm Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$20,570,682, above last year's ending fund balances of \$4,852,921. The increase in ending fund balances can be attributed to the increases in the Capital Project accounts due to the issuance of bonds to finance construction during the year.

Governmental Fund Highlights

- The District's increase in General Fund financial position is the product of many factors. Increases in federal revenue sources produced the majority of growth in revenues. General Fund expenditures

increased, primarily due to increases in the instruction and support services functional areas. Expenditures exceeded revenues by \$614,732 resulting in a decrease in fund balance from \$1,455,419 at June 30, 2013 to \$840,687 at June 30, 2014.

- The Capital Projects Fund balance increased from \$3,018,147 at June 30, 2013 to \$19,410,397 at June 30, 2014. The increase is primarily the result of the issuance of bonds during the year to pay for construction of a new junior and senior high school building.
- During the year ended June 30, 2014, the District issued general obligation bonds that are payable from the Debt Service Fund. The District will begin receiving property tax from tax levies for the Debt Service Fund in the 2015 fiscal year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$23,003 at June 30, 2013 to \$13,432 at June 30, 2014, representing a decrease of 41.61%. Increased revenues from federal sources were not enough to offset the increased spending for salaries and benefits resulting in a decrease in net position of \$9,571.

The Day Care Fund net position increased from a balance of \$3,225 at June 30, 2013 to a balance of \$21,044 at June 30, 2014. Revenues increased when compared to the prior year with a slight decrease in expenses ensuring the increase in fund balance.

The FFA Farming operation's net position increased from a balance of \$35,765 at June 30, 2013 to a balance of \$62,898 at June 30, 2014. The District had operating revenues of \$35,899 and operating expenses of \$8,818 causing the increase in fund balance.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$56,670 more than budgeted revenues, a variance of 0.68%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and support services functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$4,616,763, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 59.09% from the prior year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$175,662.

The original cost of the District's capital assets was \$10,538,987. Governmental funds account for \$10,457,557 with the remainder of \$81,430 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2013, compared to \$1,825,864 reported at June 30, 2014. This increase was due to District beginning construction on a new junior and senior high school building.

	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	\$ 526,505	491,505	-	-	526,505	491,505	7.12%
Construction in progress	1,825,864	-	-	-	1,825,864	-	100.00%
Buildings	1,955,212	2,082,999	-	-	1,955,212	2,082,999	-6.13%
Land improvements	183,046	197,520	-	-	183,046	197,520	-7.33%
Machinery and equipment	107,115	107,950	19,021	21,956	126,136	129,906	-2.90%
Total	\$ 4,597,742	2,879,974	19,021	21,956	4,616,763	2,901,930	59.09%

Long-Term Debt

At June 30, 2014, the District had \$18,789,942 in total long-term liabilities. This represents an increase of 2162.44% from the prior 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 general obligation bonds payable of \$11,915,000 at June 30, 2014, payable from the Debt Service Fund.
- The District had revenue bonds payable of \$6,035,000 at June 30, 2014, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had compensated absences payable of \$9,258 at June 30, 2014, payable from the General Fund.
- The District's net OPEB liability at June 30, 2014 was \$830,684. Governmental activities account for \$793,387 and business type activities account for \$37,297.

	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
General obligation bonds	\$ 11,915,000	-	-	-	11,915,000	-	100.00%
Revenue bonds	6,035,000	-	-	-	6,035,000	-	100.00%
Bus lease	-	56,076	-	-	-	56,076	-100.00%
Compensated absences	9,258	16,209	-	-	9,258	16,209	-42.88%
Net OPEB liability	793,387	724,184	37,297	34,046	830,684	758,230	9.56%
Total	\$ 18,752,645	796,469	37,297	34,046	18,789,942	830,515	2162.44%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District's enrollment has remained relatively stable in recent years.
- New housing development and new small businesses emerging will hopefully stimulate growth.
- Larger employers in the area have remained stable.

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 Dan Rold, Business Manager, Riverside Community School District, 330 Pleasant St, Carson, IA 51525.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 21,183,670	71,370	21,255,040
Receivables:			
Property tax:			
Delinquent	27,460	-	27,460
Succeeding year	4,032,772	-	4,032,772
Income surtax	235,297	-	235,297
Accounts	-	3,358	3,358
Due from other governments	221,113	-	221,113
Inventories	-	44,626	44,626
Capital assets, net of accumulated depreciation	4,597,742	19,021	4,616,763
Total assets	30,298,054	138,375	30,436,429
Liabilities			
Accounts payable	268,509	-	268,509
Salaries and benefits payable	575,556	3,704	579,260
Interest payable	252,508	-	252,508
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	520,000	-	520,000
Compensated absences payable	9,258	-	9,258
Portion due after one year:			
General obligation bonds payable	11,395,000	-	11,395,000
Revenue bonds payable	6,035,000	-	6,035,000
Net OPEB liability	793,387	37,297	830,684
Total liabilities	19,849,218	41,001	19,890,219
Deferred Inflows of Resources			
Unavailable property tax revenue	4,032,772	-	4,032,772
Net Position			
Net investment in capital assets	2,536,994	19,021	2,556,015
Restricted for:			
Categorical funding	161,847	-	161,847
Management levy purposes	216,890	-	216,890
Student activities	105,460	-	105,460
School infrastructure	3,406,405	-	3,406,405
Physical plant and equipment	114,740	-	114,740
Unrestricted	(126,272)	78,353	(47,919)
Total net position	\$ 6,416,064	97,374	6,513,438

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,388,058	135,433	192,678	(3,059,947)	-	(3,059,947)
Special	1,190,266	-	141,910	(1,048,356)	-	(1,048,356)
Other	989,880	180,483	247,411	(561,986)	-	(561,986)
	<u>5,568,204</u>	<u>315,916</u>	<u>581,999</u>	<u>(4,670,289)</u>	<u>-</u>	<u>(4,670,289)</u>
Support services:						
Student	156,737	19,277	-	(137,460)	-	(137,460)
Instructional staff	308,064	-	-	(308,064)	-	(308,064)
Administration	803,054	37,491	-	(765,563)	-	(765,563)
Operation and maintenance of plant	841,977	12,036	-	(829,941)	-	(829,941)
Transportation	366,930	26,955	-	(339,975)	-	(339,975)
	<u>2,476,762</u>	<u>95,759</u>	<u>-</u>	<u>(2,381,003)</u>	<u>-</u>	<u>(2,381,003)</u>
Long-term debt interest	253,313	-	-	(253,313)	-	(253,313)
Other expenses:						
AEA flowthrough	261,595	-	261,595	-	-	-
Depreciation(unallocated)*	150,192	-	-	(150,192)	-	(150,192)
	<u>411,787</u>	<u>-</u>	<u>261,595</u>	<u>(150,192)</u>	<u>-</u>	<u>(150,192)</u>
Total governmental activities	<u>8,710,066</u>	<u>411,675</u>	<u>843,594</u>	<u>(7,454,797)</u>	<u>-</u>	<u>(7,454,797)</u>
Business type activities:						
Support services:						
Operation and maintenance of plant	6,459	-	-	-	(6,459)	(6,459)
Non-instructional programs:						
Food service operations	328,949	146,246	178,951	-	(3,752)	(3,752)
Community service operations	51,868	69,496	-	-	17,628	17,628
Other enterprise operations	8,818	-	-	-	(8,818)	(8,818)
	<u>389,635</u>	<u>215,742</u>	<u>178,951</u>	<u>-</u>	<u>5,058</u>	<u>5,058</u>
Total business type activities	<u>396,094</u>	<u>215,742</u>	<u>178,951</u>	<u>-</u>	<u>(1,401)</u>	<u>(1,401)</u>
Total	\$ <u>9,106,160</u>	<u>627,417</u>	<u>1,022,545</u>	<u>(7,454,797)</u>	<u>(1,401)</u>	<u>(7,456,198)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,925,415	-	2,925,415
Capital outlay				109,306	-	109,306
Income surtax				298,668	-	298,668
Statewide sales, services and use tax				590,582	-	590,582
Unrestricted state grants				2,691,436	-	2,691,436
Unrestricted investment earnings				22,249	146	22,395
Other general revenues				55,212	36,636	91,848
				<u>6,692,868</u>	<u>36,782</u>	<u>6,729,650</u>
Total general revenues				<u>6,692,868</u>	<u>36,782</u>	<u>6,729,650</u>
Change in net position				(761,929)	35,381	(726,548)
Net position beginning of year				7,177,993	61,993	7,239,986
Net position end of year				\$ <u>6,416,064</u>	<u>97,374</u>	<u>6,513,438</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 1,365,143	19,472,540	-	328,491	21,166,174
Receivables:					
Property tax:					
Delinquent	25,565	990	-	905	27,460
Succeeding year	2,798,485	113,911	930,377	189,999	4,032,772
Income surtax	235,297	-	-	-	235,297
Due from other funds	2,896	6,902	-	-	9,798
Due from other governments	127,761	93,352	-	-	221,113
Total assets	\$ 4,555,147	19,687,695	930,377	519,395	25,692,614
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 105,122	163,387	-	-	268,509
Salaries and benefits payable	575,556	-	-	-	575,556
Due to other funds	-	-	-	9,798	9,798
Total liabilities	680,678	163,387	-	9,798	853,863
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	2,798,485	113,911	930,377	189,999	4,032,772
Income surtax	235,297	-	-	-	235,297
Total deferred inflows of resources	3,033,782	113,911	930,377	189,999	4,268,069
Fund balances:					
Restricted for:					
Categorical funding	161,847	-	-	-	161,847
Management levy purposes	-	-	-	216,890	216,890
Student activities	-	-	-	105,460	105,460
School infrastructure	-	19,295,657	-	-	19,295,657
Physical plant and equipment levy	-	114,740	-	-	114,740
Unassigned:					
General	678,840	-	-	-	678,840
Student activities	-	-	-	(2,752)	(2,752)
Total fund balances	840,687	19,410,397	-	319,598	20,570,682
Total liabilities, deferred inflows of resources and fund balances	\$ 4,555,147	19,687,695	930,377	519,395	25,692,614

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE 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)	\$ 20,570,682
<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 the governmental funds.	4,597,742
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(252,508)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	17,496
Income surtax is not yet available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds.	235,297
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, compensated absences 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>(18,752,645)</u>
Net position of governmental activities(page 18)	<u><u>\$ 6,416,064</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,113,462	109,306	-	99,999	3,322,767
Tuition	113,653	-	-	-	113,653
Other	239,995	19,722	-	136,459	396,176
State sources	3,217,205	590,582	-	-	3,807,787
Federal sources	297,132	-	-	-	297,132
Total revenues	6,981,447	719,610	-	236,458	7,937,515
Expenditures:					
Current:					
Instruction:					
Regular	3,240,766	-	-	-	3,240,766
Special	1,139,548	-	-	-	1,139,548
Other	807,155	-	-	141,696	948,851
	5,187,469	-	-	141,696	5,329,165
Support services:					
Student	149,288	-	-	-	149,288
Instructional staff	249,396	47,226	-	-	296,622
Administration	779,920	8,324	-	52,185	840,429
Operation and maintenance of plant	612,603	30,946	-	102,334	745,883
Transportation	355,908	-	-	-	355,908
	2,147,115	86,496	-	154,519	2,388,130
Capital outlay	-	2,205,549	-	-	2,205,549
Long-term debt:					
Principal	-	-	56,076	-	56,076
Interest and fiscal charges	-	-	2,392	-	2,392
	-	-	58,468	-	58,468
Other expenditures:					
AEA flowthrough	261,595	-	-	-	261,595
Total expenditures	7,596,179	2,292,045	58,468	296,215	10,242,907
Deficiency of revenues under expenditures	(614,732)	(1,572,435)	(58,468)	(59,757)	(2,305,392)
Other financing sources(uses):					
Transfer in	-	6,035,000	58,468	-	6,093,468
Transfer out	-	(6,093,468)	-	-	(6,093,468)
Revenue bond issuance	-	6,035,000	-	-	6,035,000
General obligation bond issuance	-	11,915,000	-	-	11,915,000
Premium on general obligation bond issuance	-	210,738	-	-	210,738
Discount on general obligation bond issuance	-	(137,585)	-	-	(137,585)
Total other financing sources(uses)	-	17,964,685	58,468	-	18,023,153
Change in fund balances	(614,732)	16,392,250	-	(59,757)	15,717,761
Fund balances beginning of year	1,455,419	3,018,147	-	379,355	4,852,921
Fund balances end of year	\$ 840,687	19,410,397	-	319,598	20,570,682

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22) \$ 15,717,761

*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. Capital outlay expenditures and depreciation expense in the current year is as follows:

Capital outlays	\$ 1,890,495	
Depreciation expense	<u>(172,727)</u>	1,717,768

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Issued	(17,950,000)	
Repaid	<u>56,076</u>	(17,893,924)

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

(250,921)

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

(983)

Income surtax account not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.

10,622

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:

Compensated absences	6,951	
Other postemployment benefits	<u>(69,203)</u>	<u>(62,252)</u>

Change in net position of governmental activities(page 19) \$ (761,929)

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business Type Activities: Nonmajor Enterprise Funds				Governmental Activities:
	School Nutrition	Day Care	FFA Farm	Total	Internal
					Service Fund
Assets					
Cash and pooled investments	\$ 19,866	24,505	26,999	71,370	17,496
Accounts receivable	3,358	-	-	3,358	-
Inventories	8,727	-	35,899	44,626	-
Capital assets, net of accumulated depreciation	19,021	-	-	19,021	-
Total assets	50,972	24,505	62,898	138,375	17,496
Liabilities					
Salaries and benefits payable	658	3,046	-	3,704	-
Net OPEB liability	36,882	415	-	37,297	-
Total liabilities	37,540	3,461	-	41,001	-
Net Position					
Net investment in capital assets	19,021	-	-	19,021	-
Unrestricted	(5,589)	21,044	62,898	78,353	17,496
Total net position	\$ 13,432	21,044	62,898	97,374	17,496

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:				Governmental Activities:
	Nonmajor Enterprise Funds				Internal
	School Nutrition	Day Care	FFA Farm	Total	Service Fund
Operating revenues:					
Local sources:					
Charges for service	\$ 146,246	69,496	-	215,742	-
Miscellaneous	586	151	35,899	36,636	6,760
Total operating revenues	146,832	69,647	35,899	252,378	6,760
Operating expenses:					
Support services:					
Administration:					
Services	-	-	-	-	7,743
Operation and maintenance of plant:					
Services	6,459	-	-	6,459	-
	6,459	-	-	6,459	7,743
Non-instructional programs:					
Food service operations:					
Salaries	123,903	-	-	123,903	-
Benefits	60,686	-	-	60,686	-
Services	655	-	-	655	-
Supplies	140,445	-	-	140,445	-
Depreciation	2,935	-	-	2,935	-
Other	325	-	-	325	-
	328,949	-	-	328,949	-
Other enterprise operations:					
Supplies	-	-	8,818	8,818	-
Community service operations:					
Salaries	-	39,670	-	39,670	-
Benefits	-	9,976	-	9,976	-
Supplies	-	2,136	-	2,136	-
Other	-	86	-	86	-
	-	51,868	-	51,868	-
Total operating expenses	335,408	51,868	8,818	396,094	7,743
Operating income(loss)	(188,576)	17,779	27,081	(143,716)	(983)
Non-operating revenues:					
Interest income	54	40	52	146	-
State sources	3,024	-	-	3,024	-
Federal sources	175,927	-	-	175,927	-
Total non-operating revenues	179,005	40	52	179,097	-
Change in net position	(9,571)	17,819	27,133	35,381	(983)
Net position beginning of year	23,003	3,225	35,765	61,993	18,479
Net position end of year	\$ 13,432	21,044	62,898	97,374	17,496

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities:				Governmental Activities:
	Nonmajor Enterprise Funds			Total	Internal
	School Nutrition	Day Care	FFA Farm		
Cash flows from operating activities:					
Cash received from sale of lunches and breakfasts	\$ 142,561	-	-	142,561	-
Cash received from daycare operations	-	69,496	-	69,496	-
Cash received from miscellaneous	586	151	-	737	6,760
Cash payments to employees for services	(181,024)	(48,846)	-	(229,870)	(7,743)
Cash payments to suppliers for goods or services	(130,740)	(2,352)	(8,818)	(141,910)	-
Net cash provided by(used in) operating activities	(168,617)	18,449	(8,818)	(158,986)	(983)
Cash flows from non-capital financing activities:					
State grants received	3,024	-	-	3,024	-
Federal grants received	160,550	-	-	160,550	-
Net cash provided by non-capital financing activities	163,574	-	-	163,574	-
Cash flows from investing activities:					
Interest on investments	54	40	52	146	-
Net increase(decrease) in cash and cash equivalents	(4,989)	18,489	(8,766)	4,734	(983)
Cash and cash equivalents beginning of year	24,855	6,016	35,765	66,636	18,479
Cash and cash equivalents end of year	\$ 19,866	24,505	26,999	71,370	17,496
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ (188,576)	17,779	27,081	(143,716)	(983)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Commodities consumed	15,377	-	-	15,377	-
Depreciation	2,935	-	-	2,935	-
Decrease(Increase) in inventories	1,767	-	(35,899)	(34,132)	-
Increase in accounts receivable	(3,358)	-	-	(3,358)	-
Decrease in accounts payable	-	(130)	-	(130)	-
Increase in salaries and benefits payable	349	765	-	1,114	-
Increase in other postemployment benefits	3,216	35	-	3,251	-
Decrease in unearned revenue	(327)	-	-	(327)	-
Net cash provided by(used in) operating activities	\$ (168,617)	18,449	(8,818)	(158,986)	(983)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$15,377 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 91,671
Liabilities	<u>-</u>
Net Position	
Restricted for scholarships	<u>\$ 91,671</u>

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 200
Interest income	646
Total additions	<u>846</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	2,000
Support services:	
Administration	318
Total deductions	<u>2,318</u>
Excess of revenues over expenditures	(1,472)
Other financing sources:	
Unrealized gain on investments	<u>11,394</u>
Change in net position	9,922
Net position beginning of year	<u>81,749</u>
Net position end of year	<u>\$ 91,671</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary funds:

The District's proprietary funds include the Enterprise School Nutrition, Day Care and FFA Farm Funds as well as the District's Internal Service Fund. The School Nutrition, Day Care and FFA Farm Funds are used to account for the food service, day care and farming operations of the District. The Internal Service Fund is used to account for the District's employee flexible benefit plan. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this

purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities, 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. Investments are stated at fair value.

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

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

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

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

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

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

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

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

Deferred 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 period. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources on 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.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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 the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instruction and support services functional areas.

Note 2. Cash and Pooled Investments

The District's deposits in banks 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.

At June 30, 2014, the District's had investments in the Pottawattime County Community Foundation valued at \$84,785.

Note 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>
Capital Projects: Physical Plant and Equipment Levy	Management Levy	\$ 6,902
General	Management Levy	<u>2,896</u>
Total		<u>\$ 9,798</u>

The Management Levy Fund is repaying the Capital Projects: Physical Plant and Equipment Levy Fund for property tax received to the incorrect fund.

The Management Levy Fund is repaying the General Fund for property tax received to the incorrect fund.

Note 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: Statewide Sales, Services and Use Tax	\$ 58,468
Capital Projects: Revenue Construction Bonds	Capital Projects: Statewide Sales, Services and Use Tax	<u>6,035,000</u>
Total		<u>\$ 6,093,468</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's bus lease.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Capital Projects: Revenue Construction Bonds was to transfer the proceeds of a revenue bond issuance to the construction fund.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Business type activities:				
Machinery and equipment	\$ 81,430	-	-	\$ 81,430
Less accumulated depreciation	59,474	2,935	-	62,409
Business type activities capital assets, net	<u>\$ 21,956</u>	<u>(2,935)</u>	<u>-</u>	<u>19,021</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 491,505	35,000	-	526,505
Construction in progress	-	1,825,864	-	1,825,864
Total capital assets not being depreciated	<u>491,505</u>	<u>1,860,864</u>	<u>-</u>	<u>2,352,369</u>
Capital assets being depreciated:				
Buildings	6,559,639	7,931	-	6,567,570
Land improvements	289,437	-	-	289,437
Machinery and equipment	1,263,316	21,700	36,835	1,248,181
Total capital assets being depreciated	<u>8,112,392</u>	<u>29,631</u>	<u>36,835</u>	<u>8,105,188</u>
Less accumulated depreciation for:				
Buildings	4,476,640	135,718	-	4,612,358
Land improvements	91,917	14,474	-	106,391
Machinery and equipment	1,155,366	22,535	36,835	1,141,066
Total accumulated depreciation	<u>5,723,923</u>	<u>172,727</u>	<u>36,835</u>	<u>5,859,815</u>
Total capital assets being depreciated, net	<u>2,388,469</u>	<u>(143,096)</u>	<u>-</u>	<u>2,245,373</u>
Governmental activities capital assets, net	<u>\$ 2,879,974</u>	<u>1,717,768</u>	<u>-</u>	<u>4,597,742</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 898
Other	1,101
Support services:	
Administration	552
Transportation	<u>19,984</u>
	22,535
Unallocated depreciation	<u>150,192</u>
Total governmental activities depreciation expense	<u>\$ 172,727</u>
Business type activities:	
Food service operations	<u>\$ 2,935</u>

Note 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ -	11,915,000	-	11,915,000	520,000
Revenue bonds	-	6,035,000	-	6,035,000	-
Bus lease	56,076	-	56,076	-	-
Compensated absences	16,209	9,258	16,209	9,258	9,258
Net OPEB liability	724,184	69,203	-	793,387	-
Total	\$ 796,469	18,028,461	72,285	18,752,645	529,258
Business type activities:					
Net OPEB liability	\$ 34,046	3,251	-	37,297	-

General Obligation Bonds

Details of the District's June 30, 2014 general obligation indebtedness are as follows:

Year Ending June 30,	Issued December 12, 2013			Issued May 1, 2014			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2015	3.00 %	\$ -	197,867	2.00 %	\$ 520,000	210,510	520,000	408,377	928,377
2016	3.00	-	142,750	2.00	520,000	200,110	520,000	342,860	862,860
2017	3.00	-	142,750	2.00	530,000	189,710	530,000	332,460	862,460
2018	3.00	-	142,750	2.00	540,000	179,110	540,000	321,860	861,860
2019	3.00	-	142,750	2.00	500,000	168,310	500,000	311,060	811,060
2020-2024	3.00	-	713,750	2.00-3.00	2,660,000	683,165	2,660,000	1,396,915	4,056,915
2025-2029	3.00-3.40	1,605,000	658,888	3.00-4.00	1,425,000	355,500	3,030,000	1,014,388	4,044,388
2030-2034	3.60-4.00	2,360,000	236,325	4.00	1,255,000	203,400	3,615,000	439,725	4,054,725
		<u>\$ 3,965,000</u>	<u>2,377,830</u>		<u>\$ 7,950,000</u>	<u>2,189,815</u>	<u>11,915,000</u>	<u>4,567,645</u>	<u>16,482,645</u>

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issued September 12, 2013			
	Interest Rates	Principal	Interest	Total
2015	3.05 %	\$ -	239,799	239,799
2016	3.05	309,000	179,355	488,355
2017	3.05	319,000	169,778	488,778
2018	3.05	328,000	159,912	487,912
2019	3.05	339,000	149,740	488,740
2020-2024	3.05	1,855,000	584,853	2,439,853
2025-2029	3.05	2,157,000	279,456	2,436,456
2030	3.05	728,000	15,006	743,006
		<u>\$ 6,035,000</u>	<u>1,777,899</u>	<u>7,812,899</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$6,035,000 of bonds issued in September 2013. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principals and interest payments are expected to require nearly 41% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$7,812,899. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$590,582.

Note 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 contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$346,852, \$326,735 and \$293,931 respectively, equal to the required contributions for each year.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription benefits for employees, retirees and their spouses. There are 69 active and 11 retired members in the plan. Retired participants must be age 55 or older at age of retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/vision benefit as active employees, which results in an implicit rate subsidy and an OPEB liability. The District provides an annual early retirement offering to qualified employees. Successful applicants receive single health and dental insurance premiums paid by the District resulting in an explicit subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 170,816
Interest on net OPEB obligation	18,956
Adjustment to annual required contribution	<u>(68,259)</u>
Annual OPEB cost	121,513
Contributions made	<u>(49,059)</u>
Increases in net OPEB obligation	72,454
Net OPEB obligation beginning of year	<u>758,230</u>
Net OPEB obligation end of year	<u><u>\$ 830,684</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.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2012	\$ 338,247	29.74%	\$ 688,717
2013	130,073	46.56%	758,230
2014	121,513	40.37%	830,684

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 \$1,422,917, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,422,917. The covered payroll (annual payroll of active employees covered by the plan) was \$3,340,480 and the ratio of the UAAL to covered payroll was 42.60%. 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. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual health cost trend rate is 5%. Mortality rates are from the Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 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 Employees Benefits Health Plan is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. Iowa Star Schools Employees Benefits Health Plan was set up for the purpose of managing and funding employee benefits. Iowa Star Schools Employees Benefits Health Plan provides coverage and protection in the following categories: medical. District contributions to Iowa Star Schools Employees Benefits Health Plan for the year ended June 30, 2014 were \$657,788.

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

Note 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 \$261,595 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.

Note 11. Operating Lease

The District entered into a five year contract to lease printers from Access Systems on July 12, 2010. The District paid \$18,719 in fiscal year 2014 under this lease agreement.

Note 12. Deficit Unassigned/Unrestricted Fund Balance/Net Position

The District had three negative accounts within the Special Revenue, Student Activity Fund totaling \$2,752 unassigned fund balance at June 30, 2014. The School Nutrition Fund had a deficit unrestricted net position of \$5,589 and the governmental activities had a deficit unrestricted net position of \$126,272 at June 30, 2014.

Note 13. Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2014, expenditures in the instruction and support services functional areas exceeded the certified budget amounts.

Note 14. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of 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.

Note 15. Categorical Funding

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

Program	Amount
Limited English Proficiency	\$ 9,917
Gifted and Talented Programs	48,787
Returning Dropouts and Dropout Prevention Programs	52,435
Beginning Administrator Mentoring and Induction Programs	1,420
Successful Progression for Early Readers	14,111
Professional Development for Model Core Curriculum	21,133
Professional Development	6,632
Teacher Leadership Grants	7,412
Total	<u>\$ 161,847</u>

Note 16. Detailed reconciliation of Fund Balance to Net Position

A detailed reconciliation of selected fund balances to net position is as follows:

	Invested in Capital Assets	School Infrastructure	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	19,295,657	678,840
Capital assets, net of accumulated depreciation	4,597,742	-	-
General obligation bond capitalized indebtedness	(1,702,374)	-	-
Revenue bond capitalized indebtedness	(358,374)	-	-
Unexpended bond proceeds	-	(15,889,252)	-
Income surtax	-	-	235,297
Internal service fund	-	-	17,496
Compensated absences payable	-	-	(9,258)
Accrued interest payable	-	-	(252,508)
Net OPEB liability	-	-	(793,387)
Unassigned student activities	-	-	(2,752)
Net position (Exhibit A)	<u>\$ 2,536,994</u>	<u>3,406,405</u>	<u>(126,272)</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,832,596	252,524	4,085,120	4,950,284	4,950,284	(865,164)
State sources	3,807,787	3,024	3,810,811	3,212,536	3,212,536	598,275
Federal sources	297,132	175,927	473,059	149,500	149,500	323,559
Total revenues	<u>7,937,515</u>	<u>431,475</u>	<u>8,368,990</u>	<u>8,312,320</u>	<u>8,312,320</u>	<u>56,670</u>
Expenditures/Expenses:						
Instruction	5,329,165	-	5,329,165	5,006,400	5,006,400	(322,765)
Support services	2,388,130	6,459	2,394,589	2,239,200	2,239,200	(155,389)
Non-instructional programs	-	389,635	389,635	932,887	932,887	543,252
Other expenditures	2,525,612	-	2,525,612	3,495,338	3,495,338	969,726
Total expenditures/expenses	<u>10,242,907</u>	<u>396,094</u>	<u>10,639,001</u>	<u>11,673,825</u>	<u>11,673,825</u>	<u>1,034,824</u>
Deficiency of revenues under expenditures/expenses	(2,305,392)	35,381	(2,270,011)	(3,361,505)	(3,361,505)	1,091,494
Other financing sources, net	<u>18,023,153</u>	-	<u>18,023,153</u>	-	-	<u>18,023,153</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	15,717,761	35,381	15,753,142	(3,361,505)	(3,361,505)	19,114,647
Balances beginning of year	<u>4,852,921</u>	<u>61,993</u>	<u>4,914,914</u>	<u>4,520,934</u>	<u>4,520,934</u>	<u>393,980</u>
Balances end of year	<u>\$ 20,570,682</u>	<u>97,374</u>	<u>20,668,056</u>	<u>1,159,429</u>	<u>1,159,429</u>	<u>19,508,627</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

During the year ended June 30, 2014, expenditures in the instruction and support services functional areas exceeded the amounts budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 2,827,303	\$ 2,827,303	0.00%	\$ 3,162,799	89.39%
2011	July 1, 2009	-	2,732,588	2,732,588	0.00%	3,471,585	78.71%
2012	July 1, 2009	-	2,501,798	2,501,798	0.00%	3,223,417	77.61%
2013	July 1, 2012	-	1,406,061	1,406,061	0.00%	3,318,028	42.38%
2014	July 1, 2012	-	1,422,917	1,422,917	0.00%	3,340,480	42.60%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 225,783	102,708	328,491
Receivables:			
Property tax:			
Delinquent	905	-	905
Succeeding year	189,999	-	189,999
Total assets	\$ 416,687	102,708	519,395
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Due to other funds	\$ 9,798	-	9,798
Deferred inflows of resources			
Unavailable revenue:			
Succeeding year property tax	189,999	-	189,999
Fund balances:			
Restricted for:			
Management levy purposes	216,890	-	216,890
Student activities	-	105,460	105,460
Unassigned	-	(2,752)	(2,752)
Total fund balances	216,890	102,708	319,598
Total liabilities, deferred inflows of resources and fund balances	\$ 416,687	102,708	519,395

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 2

RIVERSIDE COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 99,999	-	99,999
Other	4,716	131,743	136,459
Total revenues	<u>104,715</u>	<u>131,743</u>	<u>236,458</u>
Expenditures:			
Current:			
Instruction:			
Other	-	141,696	141,696
Support services:			
Administration	52,185	-	52,185
Operation and maintenance of plant	102,334	-	102,334
Total expenditures	<u>154,519</u>	<u>141,696</u>	<u>296,215</u>
Change in fund balances	(49,804)	(9,953)	(59,757)
Fund balances beginning of year	<u>266,694</u>	<u>112,661</u>	<u>379,355</u>
Fund balances end of year	<u>\$ 216,890</u>	<u>102,708</u>	<u>319,598</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2014

	Capital Projects				
	Statewide Sales, Services and Use Tax	General Obligation Construction Bonds	Revenue Construction Bonds	Physical Plant and Equipment Levy	Total
Assets					
Cash and pooled investments	\$ 3,313,053	10,375,388	5,677,251	106,848	19,472,540
Receivables:					
Property tax:					
Delinquent	-	-	-	990	990
Succeeding year	-	-	-	113,911	113,911
Due from other funds	-	-	-	6,902	6,902
Due from other governments	93,352	-	-	-	93,352
Total assets	\$ 3,406,405	10,375,388	5,677,251	228,651	19,687,695
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ -	162,762	625	-	163,387
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	-	-	-	113,911	113,911
Fund balances:					
Restricted for:					
School infrastructure	3,406,405	10,212,626	5,676,626	-	19,295,657
Physical plant and equipment	-	-	-	114,740	114,740
Total fund balances	3,406,405	10,212,626	5,676,626	114,740	19,410,397
Total liabilities, deferred inflows of resources and fund balances	\$ 3,406,405	10,375,388	5,677,251	228,651	19,687,695

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects				Total
	Statewide Sales, Services and Use Tax	General Obligation Construction Bonds	Revenue Construction Bonds	Physical Plant and Equipment Levy	
Revenues:					
Local sources:					
Local tax	\$ -	-	-	109,306	109,306
Other	5,055	5,694	8,784	189	19,722
State sources	590,582	-	-	-	590,582
Total revenues	595,637	5,694	8,784	109,495	719,610
Expenditures:					
Current:					
Support services:					
Instructional staff	-	-	-	47,226	47,226
Administration	-	-	8,324	-	8,324
Operation and maintenance of plant	4,058	-	-	26,888	30,946
Capital outlay	40,098	1,781,221	358,834	25,396	2,205,549
Total expenditures	44,156	1,781,221	367,158	99,510	2,292,045
Excess(Deficiency) of revenues over(under) expenditures	551,481	(1,775,527)	(358,374)	9,985	(1,572,435)
Other financing sources(uses):					
Transfers in	-	-	6,035,000	-	6,035,000
Transfer out	(6,093,468)	-	-	-	(6,093,468)
Revenue bond issuance	6,035,000	-	-	-	6,035,000
General obligation bond issuance	-	11,915,000	-	-	11,915,000
Premium on general obligation bond issuance	-	210,738	-	-	210,738
Discount on general obligation bond issuance	-	(137,585)	-	-	(137,585)
Total other financing sources(uses)	(58,468)	11,988,153	6,035,000	-	17,964,685
Change in fund balances	493,013	10,212,626	5,676,626	9,985	16,392,250
Fund balances beginning year	2,913,392	-	-	104,755	3,018,147
Fund balances end of year	\$ 3,406,405	10,212,626	5,676,626	114,740	19,410,397

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE 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
Spring play	\$ 58	-	-	-	58
Speech	48	8	-	-	56
Vocal	2,025	-	693	(740)	592
Musical	2,652	-	-	-	2,652
MS vocal festival	(740)	-	-	740	-
6th grade opera	29	-	-	-	29
Band	7,512	1,245	1,918	-	6,839
MS band festival	620	-	-	-	620
Cross country	263	55	20	-	298
Basketball camp	1,502	3,335	2,359	-	2,478
Football camp	4,189	13,629	10,334	-	7,484
Baseball camp	2,022	-	563	-	1,459
Golf	150	-	-	-	150
Girls basketball camp	2,031	629	381	(1,425)	854
Volleyball camp	4,280	2,634	2,629	-	4,285
Boys soccer	15	-	-	-	15
Girls soccer	200	-	-	-	200
Softball clinic	929	2,846	1,096	-	2,679
Athletics	18,405	36,378	39,696	-	15,087
Uniforms	16,446	9,326	12,583	1,180	14,369
5th Grade Project	212	-	-	-	212
Dance Team	1,297	5,765	5,856	-	1,206
FFA	5,549	596	1,848	-	4,297
US West-Rold	20	-	-	-	20
1st grade-US West	444	-	-	-	444
MS student activities	1,222	14,954	13,319	-	2,857
IS student council	-	2,522	3,352	(197)	(1,027)
Middle school library	19	2,303	2,317	-	5
FCCLA	880	1,615	1,066	-	1,429
ITAG grant	68	-	-	-	68
Annual	3,811	8,175	11,425	-	561
Bulldog bites	131	391	401	-	121
Football cheerleaders	3,554	2,776	3,500	-	2,830
Robotics club	554	-	-	-	554
DC trip	3,223	-	-	-	3,223
International club	-	15	-	-	15
Student needs(civic donations)	1,629	-	-	-	1,629
JH field trips	-	2,792	1,820	-	972
MS student council	(89)	138	592	197	(346)
Library	446	79	(1)	-	526
Elementary book fair	5,909	3,617	3,624	-	5,902
National honor society	18	295	341	154	126
R club	241	-	-	-	241
HS student improvement	5,004	361	106	(154)	5,105
HS recognition area	280	-	181	-	99
Special ed. Needs(Putnam classroom)	658	368	931	-	95
8th grade team	(245)	-	-	245	-
HS student council	1,307	1,299	1,742	-	864
Wrestling cheerleader	919	2,395	2,661	-	653
Jump rope for heart	990	-	-	-	990
Spanish trip	-	426	200	-	226
Art club	263	-	-	-	263
Weight room	1,262	-	1,262	-	-
Cheerleaders/BB	622	815	550	-	887
Outdoor classroom	128	-	-	-	128
Science club	1,214	-	-	-	1,214
Class of 2013	(1,379)	-	-	-	(1,379)
Class of 2014	6,550	45	4,348	-	2,247
Class of 2015	2,420	7,911	7,983	-	2,348
Class of 2016	894	1,315	-	-	2,209
Class of 2017	-	690	-	-	690
Total	\$ 112,661	131,743	141,696	-	102,708

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund				
	Vickie Diane Lester Trust	Gilpin Scholarship	Karen Nelson Trust	Other Scholarships	Total
Assets					
Cash and pooled investments	\$ 75,491	8,079	607	7,494	91,671
Liabilities	-	-	-	-	-
Net Position					
Restricted for scholarships	\$ 75,491	8,079	607	7,494	91,671

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund				
	Vickie Diane Lester Trust	Gilpin Scholarship	Karen Nelson Trust	Other Scholarships	Total
Additions:					
Local sources:					
Gifts and contributions	\$ -	-	200	-	200
Interest income	638	8	-	-	646
Total additions	638	8	200	-	846
Deductions:					
Instruction:					
Regular:					
Scholarships awarded	1,800	-	200	-	2,000
Support services:					
Administration	318	-	-	-	318
Total deductions	2,118	-	200	-	2,318
Excess (Deficiency) of revenues over(under) expenditures	(1,480)	8	-	-	(1,472)
Other financing sources:					
Unrealized gain on investments	11,394	-	-	-	11,394
Change in net position	9,914	8	-	-	9,922
Net position beginning of year	65,577	8,071	607	7,494	81,749
Net position end of year	\$ 75,491	8,079	607	7,494	91,671

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 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	\$ 3,322,767	3,959,956	3,924,797	4,189,038	3,726,105	3,612,576	3,113,882	3,063,277	2,892,498	2,729,667
Tuition	113,653	123,676	121,430	50,532	122,083	154,795	169,227	113,999	110,783	113,448
Other	396,176	479,310	402,760	435,670	381,963	420,374	492,777	452,204	424,954	296,157
Intermediate sources	-	-	-	-	-	-	15,229	-	-	-
State sources	3,807,787	3,130,456	3,077,937	2,826,333	2,465,780	2,963,000	2,911,515	2,920,328	2,822,573	2,990,315
Federal sources	297,132	194,178	225,941	322,295	490,706	189,645	131,020	144,653	152,721	143,921
Total	<u>\$ 7,937,515</u>	<u>7,887,576</u>	<u>7,752,865</u>	<u>7,823,868</u>	<u>7,186,637</u>	<u>7,340,390</u>	<u>6,833,650</u>	<u>6,694,461</u>	<u>6,403,529</u>	<u>6,273,508</u>
Expenditures:										
Instruction:										
Regular	\$ 3,240,766	3,135,793	2,944,468	2,879,560	2,888,195	3,109,105	2,694,951	2,381,372	2,380,366	2,545,428
Special	1,139,548	782,593	842,896	801,118	878,157	865,248	835,938	803,953	830,959	883,740
Other	948,851	1,040,982	1,001,941	762,619	583,512	415,539	820,609	831,456	809,845	622,189
Support services:										
Student	149,288	131,136	132,448	167,636	132,161	188,921	189,734	180,071	184,844	190,846
Instructional staff	296,622	126,720	95,387	222,376	96,237	119,850	120,140	134,178	144,133	63,720
Administration	840,429	718,862	774,304	748,320	706,836	582,390	612,617	621,653	598,364	586,972
Operation and maintenance of plant	745,883	560,775	573,140	519,632	566,148	544,026	566,046	534,428	472,249	442,387
Transportation	355,908	439,704	337,828	338,084	268,413	251,994	295,056	438,144	360,060	271,719
Non-instructional programs:										
Food service operations	-	-	-	-	-	-	-	-	-	10,997
Capital outlay	2,205,549	235,110	348,527	996,251	401,482	234,265	382,908	365,101	484,305	115,785
Long-term debt:										
Principal	56,076	45,055	24,280	49,312	21,181	82,342	57,838	-	-	-
Interest	2,392	530	1,984	4,640	2,485	2,639	3,477	-	-	-
Other expenditures:										
AEA flow-through	261,595	249,922	242,360	271,411	257,342	236,389	214,810	209,591	199,163	199,961
Total	<u>\$ 10,242,907</u>	<u>7,467,182</u>	<u>7,319,563</u>	<u>7,760,959</u>	<u>6,802,149</u>	<u>6,632,708</u>	<u>6,794,124</u>	<u>6,499,947</u>	<u>6,464,288</u>	<u>5,933,744</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited 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, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Riverside Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Riverside Community School District's internal control over financial reporting to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Riverside Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Riverside Community School District's internal control.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-14 through I-C-14 to be a material weaknesses.

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. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-D-14 and I-E-14 to be significant deficiencies.

Compliance and Other Matters

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

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

Riverside Community School District's Responses to Findings

Riverside Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Riverside Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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 of 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 Riverside Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

May 26, 2015
Newton, Iowa

RIVERSIDE 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 may perform two or more functions in each of the following areas for the District.

- 1) Cash - bank reconciliations, cash receipts, disbursement and approval functions
- 2) Inventories - purchasing, recording and maintaining inventory records
- 3) Capital assets - responsibility for assets and periodic testing
- 4) Receipts - recording, depositing, posting and reconciling.
- 5) Disbursements - check preparation, signing checks, voucher preparation and reconciling disbursements to the check register.
- 6) Payroll - approval of and recording employees added or deleted from the payroll system, approval of and payment of payroll taxes, write checks, sign checks and post payroll to the general ledger.
- 7) Long-term debt - maintain records and performs cash functions
- 8) Transfers - authorization, recording and approval
- 9) Wire transfers - processing and approval.
- 10) Financial reporting - preparing, reconciling and approving.
- 11) Computer systems - performing all general accounting functions and controlling all data input and output.
- 12) Journal entries - posting and approval.

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

Response - The District realizes the importance of proper segregation of duties and will continue to reallocate duties if/where possible

Conclusion - Response accepted.

I-B-14 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. The District's records required numerous end of year adjustments. Numerous adjustments were required to record current year receivables and payables as well as clearing prior year receivables and payables.

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

Response - The District agrees that accurate, reliable accounting records are of the utmost importance. The accounting staff currently in place has, and will continue to seek training to ensure that the District's financial records are reliable.

Conclusion - Response accepted.

I-C-14 Gate Admissions - It was noted that the District does not use pre-numbered tickets for all events that requires an admission.

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

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District understands the importance of internal controls for handling cash at activity events and is currently developing a procedure for gate admissions that will comply with the minimum procedures listed.

Conclusion - Response accepted.

I-D-14 Payroll Procedures - Noted that the District's payroll procedures do not have a secondary check to verify that contracts are entered into the system correctly.

Recommendation - The District should review its policies and procedure to ensure an adequate level of control is established. Better internal controls would be to have another individual, other than the employee themselves, verify that payroll contracts are entered into the system correctly.

Response - The District understands the need for verification of contract entry. Procedures will be reviewed and updated to ensure an adequate level of internal control over this function

Conclusion - Response accepted.

I-E-14 Accounts Payable - We noted during our audit that the District paid a contractors application for payment twice on construction work on the District's new junior and senior high school. The contractor did notice the mistake and credited the payment on a subsequent payment. This does give the appearance that the District is not monitoring expenses.

Recommendation - The District should review procedures to ensure that only valid bills are paid, and that bills are only paid once.

Response - Procedures will be reviewed and updated as necessary to ensure that only valid bills are paid, and that they are only paid once.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 exceeded the amounts budgeted in the instruction and support services functional areas.

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

Response - The District will review budget calculations to ensure that future budget overages do not occur.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - We noted instances of the District paying sales tax on the District's credit cards. The District is a tax exempt entity and therefore should not be paying sales tax on any purchases.

Recommendation - The District should review it purchasing procedures to ensure that the District is not being charge sales tax on purchases.

Response - The District will review the current procedures in place and follow up with all affected employees to ensure that they are aware of said procedures.

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 or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rhonda Crumley, Paraeducator Owns M&R Mowing	Lawn Services	\$6,600
Tammy Skank, Secretary	Painting Services	\$13,637

In accordance with the Attorney General’s opinion dated July 2, 1990, the above transactions with the District employees do not appear to represent conflicts 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 the board minutes were not always published in a timely manner as required by Chapter 279.35 of the Code of Iowa.

Recommendation - The District should review its procedures to ensure compliance with Chapter 279.35 of the Code of Iowa.

Response - The District will review procedures and take appropriate action to conform with Chapter 279.35 of the Code of Iowa.

Conclusion - Response accepted.

II-G-14 Certified Enrollment - We noted variances in the basic enrollment data certified to the Iowa Department of Education. The variances netted to zero.

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

Response - The District’s auditors will contact the Iowa Department of Education and the Iowa Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

II-H-14 Supplemental Weighting - We noted a variance in the supplementary weighting data certified to the Iowa Department of Education. The District was sharing personnel in maintenance that was not claimed on the supplemental weighting.

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

Response - The District’s auditors will contact the Iowa Department of Education and the Iowa Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

II-I-14 Deposits and Investments - The District’s investment policy does appear to comply with Chapter 12B and Chapter 12C of the Code of Iowa, however, we noted during our audit that

the District owns stock in its Trust Fund through investments in a mutual funds with an Pottawattamie County Community Foundation account. This would be non-compliant with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa, as well as the District's investment policy.

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

Response - The District will review investments and take appropriate action to ensure compliance with District policy number 704.3 and Chapters 12B and 12C of the Code of Iowa.

Conclusion - Response accepted.

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 - We noted during our audit that the District attributed time spent by teachers during the regular education class time to Returning Dropouts and Dropout Prevention Program. As set out by Iowa Administrative Code 281 Chapter 98.21(3) "Financial Management of Categorical Funding", any expenditure not directly related to providing the returning dropout and dropout prevention program beyond the scope of the regular classroom is an inappropriate expenditure.

We noted during our audit that the District did not correctly clear payables (see comment I-B-14). This resulted in a prior year expense being recorded in the Professional Development categorical funding in the current year.

The following is the adjustment to the ending restricted balances for categorical funding:

	<u>Restricted Balance on District's CAR</u>	<u>Amount of Expense Adjustment</u>	<u>Audited Ending Restricted Balance</u>
Returning Dropouts and Dropout Prevention	\$ 25,241	\$ 27,194	\$ 52,435
Professional Development	1,637	4,995	6,632

Recommendation - The District should review Chapter 98 of the Iowa Administrative Code "Financial Management of Categorical Funding" to better understand the appropriate vs. inappropriate expenditures for Categorical Funding. The District should contact the Iowa Department of Education regarding required corrective action.

Response - The District will review expenditures in closer detail to ensure that appropriate expenditures are coded to categorical funds. The District will contact the Department of Education to obtain instruction regarding the appropriate corrective action.

Conclusion - Response accepted.

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

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue.

Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June, 30, 2014, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit.

Beginning Balance		\$ 2,913,392	
Revenues:			
Sales tax revenue	\$ 590,582		
Other local revenues	5,055		
Proceeds from issuance of revenue bonds	6,035,000	<u>6,630,637</u>	
			<u>9,544,029</u>
Expenditures/transfer out:			
Equipment	44,156		
Transfer to other funds:			
Revenue construction bond fund	6,035,000		
Debt service fund	58,468	<u>6,137,624</u>	
Ending balance			<u><u>\$ 3,406,405</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 Deficit Balances/Net Position - At June 30, 2014, the District had three negative accounts with a total deficit unassigned balance of \$2,752 in the Student Activity Fund. We also noted that the School Nutrition Fund had a deficit unrestricted net position of \$5,589 and the governmental activities had a deficit unrestricted net position of \$126,272 at June 30, 2014.

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

Response - Action will be taken as necessary to return accounts to a sound financial condition and maintain a sound financial condition.

Conclusion - Response accepted.

II-N-14 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations which have been outstanding for over a year.

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

Response - The District will review outstanding checks and take appropriate action to conform with Chapter 556.1(10) and 556.11 of the Code of Iowa.

Conclusion - Response accepted.

II-O-14 Student Activity Fund - In accordance with 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. More specific examples of these instances of questioned accounts and recommendations are as follows:

Questioned Accounts: We noted during our audit the following accounts within the Student Activity Fund that do not appear to be related to cocurricular or extracurricular activities:

ITAG Grant- This account appears to be related to the Gifted and Talented program which is part of the instructional program of the District and should be accounted for in the General Fund.

Middle School Library, Library and Elementary Book Fair - These accounts appear to account for the proceeds from book fairs and other donations to the District's libraries. The proceeds from book fairs are used to purchase library books which are instructional in nature and should be accounted for in the General Fund. Library accounts in the Student Activity Fund are for instructional support activities and should be accounted for in the General Fund.

Student Needs(civic donations) - This account is used to account for gifts and donations from the booster club and other organizations. It is also used to account for interest earned on the cash balance of the Student Activity Fund.

Special Ed. Needs(Putnam classroom) - This account appears to be used for a learning exercise for the District's Special Education students. The students count returnable cans for community groups and then receive the deposit proceeds from the redemption of the cans. This appears to be part of an instructional program and should be accounted for in the General Fund.

Outdoor Classroom - This account appears to be instructional in nature and should be accounted for in the General Fund.

Recommendation - These accounts do not appear to be cocurricular or extracurricular in nature and should be accounted for in the General Fund.

Response - The District will review the accounts and move them to the General Fund as necessary.

Conclusion - Response accepted.

II-P-14 Interfund Loan - We noted during our audit that the District has interfund loan between Management Fund and PPEL for \$3,644.18 which was on the balance sheet in the prior year and still on the current year balance sheet.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2009, 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 review its procedures to ensure compliance with the April 11, 2009 declaratory ruling issued by the Iowa Department of Education.

Response - The District will review its procedures and take actions as necessary to comply with the April 11, 2009 declaratory ruling issued by the Iowa Department of Education and Chapter 74 of the Code of Iowa.

Conclusion - Response accepted.