



RIVER VALLEY SCHOOL DISTRICT

FINANCIAL STATEMENT

June 30, 2011

RIVER VALLEY SCHOOL DISTRICT
June 30, 2011

BOARD OF EDUCATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Education of
River Valley School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of River Valley School District (the "District"), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of River Valley School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of River Valley School District as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2011, on our consideration of the District's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 9 and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise River Valley School District's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads 'Schaffer & Layher' in a cursive script.

Schaffer & Layher
September 30, 2011

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

River Valley School District (the "School District"), a K-12 School District located in Berrien County, Michigan follows the provisions of Governmental Accounting Standards Board Statement 34 ("GASB 34") with the enclosed financial statements. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be discussion and analysis of the financial results for the fiscal year ended June 30, 2011 of the management of River Valley School District ("the School District").

Generally accepted accounting principles in the United States of America ("GAAP") and GASB 34 requires the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Permanent Funds and the School Service Fund.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District-Wide Financial Statements

The District-wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the District-wide financial statements.

The School District as Trustee — Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. These are excluded activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Summary of Net Assets

The District had \$4,921,324 in net assets as of June 30, 2011, and is summarized in the table below:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Assets:		
Cash and cash equivalents	\$ 2,972,624	\$ 2,691,932
Investments	69,444	69,378
Due from other governmental units	130,582	205,569
Other assets	6,542	2,605
Net capital assets	2,254,651	2,276,806
Total Assets	<u>\$ 5,433,843</u>	<u>\$ 5,246,290</u>
Liabilities:		
Accounts payable and other accrued liabilities	<u>\$ 512,519</u>	<u>\$ 484,930</u>
Total Liabilities	<u>\$ 512,519</u>	<u>\$ 484,930</u>
Net Assets		
Investment in capital assets - net of related debt	\$ 2,254,651	\$ 2,276,806
Restricted for:		
Scholarships	165,678	139,410
Food service	85,710	107,717
Unrestricted	2,415,285	2,167,427
Total Net Assets	<u>\$ 4,921,324</u>	<u>\$ 4,691,360</u>
Total Liabilities and Net Assets	<u>\$ 5,433,843</u>	<u>\$ 5,176,290</u>

Analysis of Financial Position

During fiscal year ended June 30, 2011, the District's net assets increased by \$229,964. A few of the significant factors affecting net assets during the year are discussed below:

A. General Fund Operations

The District's revenues from General Fund operations exceeded expenditures by \$247,858 for the fiscal year ended June 30, 2011. See the section entitled Results of Operations, below, for further discussion of General Fund operations.

B. Net Investment in Capital Assets

The District's net investment in capital assets decreased by \$22,155. The net activity for the year is summarized in the following table:

	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance 6/30/2011</u>
Capital Assets	\$ 7,764,347	\$ 215,817	\$ (57,158)	\$ 7,923,006
Less: accumulated depreciation	(5,487,541)	(237,972)	57,158	(5,668,355)
Net investment capital outlay	<u>\$ 2,276,806</u>	<u>\$ (22,155)</u>	<u>\$ -</u>	<u>\$ 2,254,651</u>

This year, the School District had \$215,817 of additions for a bus, vans, HVAC system, and new ovens. The \$57,158 of deletions was from an old bus that was fully depreciated. The School District plans to purchase a new boiler for Chikaming Elementary for the 2011-2012 fiscal year. The School District does not own any infrastructure assets.

RIVER VALLEY SCHOOL DISTRICT**MANAGEMENT'S DISCUSSION & ANALYSIS**

JUNE 30, 2011

Results of Operations

The District-wide results of operations for the fiscal years ended June 30th, is summarized in the table below:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Revenues:		
General Revenues:		
Property taxes levied for general operations	\$ 6,493,733	\$ 6,378,515
Other general revenues	328,393	261,270
Total general revenues	<u>\$ 6,822,126</u>	<u>\$ 6,639,785</u>
Operating Grants:		
Federal	\$ 613,961	\$ 628,906
State of Michigan	445,343	311,859
Total operating grants	<u>\$ 1,059,304</u>	<u>\$ 940,765</u>
Charges for Services:		
Food service	\$ 109,391	\$ 118,775
Other charges for services	37,354	39,398
Total charges for services	<u>\$ 146,745</u>	<u>\$ 158,173</u>
Total revenues	<u>\$ 8,028,175</u>	<u>\$ 7,738,723</u>
Expenses:		
Instruction	\$ 4,243,640	\$ 4,081,259
Pupil services	334,349	328,282
Support services	2,482,982	2,394,698
Community services	5,300	6,140
Food service	279,384	249,102
Athletics	214,584	204,564
Depreciation(unallocated)	237,972	216,488
Total expenses	<u>\$ 7,798,211</u>	<u>\$ 7,480,533</u>
Change in Net Assets	<u>\$ 229,964</u>	<u>\$ 258,190</u>
Beginning Net Assets	<u>4,691,360</u>	<u>4,433,170</u>
Ending Net Assets	<u><u>\$ 4,921,324</u></u>	<u><u>\$ 4,691,360</u></u>

State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan unrestricted aid is determined by the following variables:

- a. State of Michigan State Aid Act per student foundation allowance,
- b. Student Enrollment - Blended at 75 percent of current year fall count and 25 percent of prior year winter count, and
- c. The District's non-homestead levy.

Per Student Foundation Allowance

Annually, the State of Michigan sets the per student foundation allowance. The River Valley School District's net foundation allowance was \$7,885 per student for the 2010-2011 fiscal school year. This amount did not change from the District's 2009-2010 net foundation allowance. The District is out of formula with the State of Michigan and receives an amount higher than the allocated foundation allowance.

Student Enrollment

The District's student enrollment for the fall count of 2010-2011 was 678.84 students. The District's enrollment decreased from the prior year count by 27 students. The following summarizes fall student enrollments in the past five years:

Fiscal Year	Student FTE	FTE Change from Prior Year
2010 - 2011	678.84	(27.48)
2009 - 2010	706.32	(62.36)
2008 - 2009	768.68	(54.20)
2007 - 2008	822.88	(52.62)
2006 - 2007	875.50	(70.90)

Subsequent to year ended June 30, 2011, preliminary student enrollments for 2011-2012 indicate that enrollments may increase from 2010-2011 by 30 students.

Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes)

The District levies approximately 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property levy for the 2010-2011 fiscal year was \$6,493,733. The non-homestead tax levy has increased by 1.8 percent over the prior year.

**Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes),
Concluded**

The significant increase in the School District's non-homestead levy over the past five years is due to the make-up of the housing market is such that an increasing number of homes are becoming second homes. This is primarily due to the amount of lakefront property located within the School District.

The following summarizes the School District's non-homestead levy over the past five years:

Fiscal Year	Non-Homestead Tax Levy	% Increase from Prior Year
2010 - 2011	\$ 6,493,733	1.8%
2009 - 2010	6,378,515	5.5%
2008 - 2009	6,048,598	6.9%
2007 - 2008	5,660,123	13.1%
2006 - 2007	5,004,498	12.4%

Debt Fund Property

The District had no debt fund levy during the current fiscal year.

Food Sales to Students & Adults (School Lunch Program)

Compared to the prior school year, the School District's food and milk sales to students and adults decreased \$9,384 to \$109,391.

The total expenditures from Food Service operations exceed total revenues for the year by \$22,007. This was mostly due to transfer of monies to the general fund for indirect costs.

General Fund Expenditures Budget vs. Actual Five Year History

	Expenditures Preliminary Budget	Expenditures Final Budget	Expenditures Final Audit	Variance Audit vs. Prelim Budget	Variance Audit vs. Final Budget
2010-2011	\$ 7,929,562	\$ 7,805,318	\$ 7,462,308	-5.89%	-4.39%
2009 - 2010	7,528,661	7,483,162	7,184,241	-4.57%	-3.99%
2008 - 2009	7,150,985	7,282,181	6,983,510	-2.34%	-4.10%
2007 - 2008	6,720,298	7,010,303	6,799,431	1.18%	-3.01%
2006 - 2007	7,943,518	7,965,853	7,653,769	-3.65%	-3.92%
Five Year Average Over(Under) Budget				<u>-3.06%</u>	<u>-3.88%</u>

General Fund Revenues Budget vs. Actual Five Year History

	Revenues Preliminary Budget	Revenues Final Budget	Revenues Final Audit	Variance: Audit vs. Prelim. Budget	Variance: Audit vs. Final Budget
2010 - 2011	\$ 7,422,040	\$ 7,624,342	\$ 7,710,166	3.88%	1.13%
2009 - 2010	\$ 7,224,732	\$ 7,384,237	\$ 7,363,810	1.93%	-0.28%
2008 - 2009	6,877,410	7,245,890	7,311,246	6.31%	0.90%
2007 - 2008	6,421,898	7,122,650	7,163,377	11.55%	0.57%
2006 - 2007	7,095,705	7,358,419	7,504,023	5.75%	1.98%
Five Year Average: (Over)Under Budget				<u>5.88%</u>	<u>0.86%</u>

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, River Valley School District amends its budget during the school year. For fiscal year June 30, 2011, the budget was amended in December 2010 and June 2011. The June 2011 budget amendment was the final budget for the fiscal year.

Change from Original Budget:

General Fund Revenues:

Total Revenues Original Budget	\$ 7,422,040	100.00%
Total Revenues Final Amended Budget	<u>7,624,342</u>	<u>102.73%</u>
	<u>\$ 202,302</u>	<u>2.73%</u>

The School District's original budget of general fund revenues differed from the final budget by \$202,302, a variance of 2.73% from final budget. This was due to an increase in expectations of earnings on investments, along with an increase in property taxes from what was originally anticipated.

Change from Original Budget:

General Fund Expenditures:

Total Expenditures Original Budget	\$ 7,929,562	100.00%
Total Expenditures Final Amended Budget	<u>7,805,318</u>	<u>98.43%</u>
	<u>\$ 124,244</u>	<u>1.57%</u>

Original vs. Final Budget, concluded

The final expenditures budget was decreased slightly due to minor changes in expectations from what was originally budgeted.

Factors Bearing on the School District's Future

The School District anticipates being able to fund their 2011-2012 operations without needing a loan for operating purposes. This is due to the collection of 18 mills during the summer tax collection in Chikaming Township. This was implemented several years ago as a cost savings measure to eliminate interest expense related to borrowing of operational funds.

All of the union groups have settled their contracts for the 2011-2012 school year. All union groups that are eligible for insurance increased their co-pay to a minimum of 20%, including the non-union groups of administrators, supervisors and support staff.

In the 2011-2012 school year, the School District will be replacing the boiler at Chikaming Elementary. This boiler had a life expectancy of 20 years but was extended to 54 years of use, due to excellent maintenance by school staff. The School District will continue to make building improvements as excess money becomes available in the General Fund, as the School District does not have a sinking fund levy for capital improvements.

Contacting the School District's Financial Management

The financial report is designed to provide our citizens and taxpayers with a general overview of the School District's finances. If you have questions about this report or need additional information, please contact the Business Office at River Valley School District.

RIVER VALLEY SCHOOL DISTRICTSTATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,972,624
Investments	69,444
Due from other governmental units	130,582
Inventories	6,542
Total current assets	<u>\$ 3,179,192</u>
Noncurrent assets:	
Capital assets	\$ 7,923,006
Less: accumulated depreciation	(5,668,355)
Total noncurrent assets	<u>\$ 2,254,651</u>
Total Assets	<u><u>\$ 5,433,843</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 56,640
Accrued payroll and other liabilities	455,879
Total current liabilities	<u>\$ 512,519</u>
Commitments and Contingencies	
Net Assets	
Investment in capital assets - net of related debt	\$ 2,254,651
Restricted for:	
Scholarships	165,678
Food service	85,710
Unrestricted	2,415,285
Total Net Assets	<u>\$ 4,921,324</u>
Total Liabilities and Net Assets	<u><u>\$ 5,433,843</u></u>

See accompanying notes to financial statements.

RIVER VALLEY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Net (Expense) Revenue and Changes in Net Assets
Primary government -					
Governmental activities:					
Instruction	\$ 4,243,640	\$ 6,727	\$ 857,048	\$ -	\$ (3,379,865)
Pupil services	334,349	-	-	-	(334,349)
Support services	2,482,982	-	-	-	(2,482,982)
Community services	5,300	-	-	-	(5,300)
Food services	279,384	109,391	202,256	-	32,263
Athletics	214,584	30,627	-	-	(183,957)
Depreciation (unallocated)	237,972	-	-	-	(237,972)
	<u>\$ 7,798,211</u>	<u>\$ 146,745</u>	<u>\$ 1,059,304</u>	<u>\$ -</u>	<u>\$ (6,592,162)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					\$ 6,493,733
Interest and investment earnings					40,294
Other					<u>288,099</u>
Total general revenues					<u>\$ 6,822,126</u>
Change in Net Assets					<u>\$ 229,964</u>
Net Assets - beginning of year					<u>4,691,360</u>
Net Assets - end of year					<u><u>\$ 4,921,324</u></u>

See accompanying notes to financial statements.

RIVER VALLEY SCHOOL DISTRICT**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011**

	<u>General</u>	<u>Non Major Governmental Funds</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,725,686	\$ 246,938	\$ 2,972,624
Investments	69,444	-	69,444
Due from other governmental units	128,937	1,645	130,582
Inventories	-	6,542	6,542
Total Assets	<u>\$ 2,924,067</u>	<u>\$ 255,125</u>	<u>\$ 3,179,192</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 56,640	\$ -	\$ 56,640
Accrued salaries and withholdings	452,142	3,737	455,879
Total Liabilities	<u>\$ 508,782</u>	<u>\$ 3,737</u>	<u>\$ 512,519</u>
Fund Balances			
Non-spendable: Used for inventories	\$ -	\$ 6,542	\$ 6,542
Restricted:			
Scholarships	-	165,678	165,678
Food service	-	57,305	57,305
Assigned: 2012 Budget deficits	683,683	21,863	705,546
Unassigned	1,731,602	-	1,731,602
Total Fund Balances	<u>\$ 2,415,285</u>	<u>\$ 251,388</u>	<u>\$ 2,666,673</u>
Total Liabilities and Fund Balances	<u>\$ 2,924,067</u>	<u>\$ 255,125</u>	<u>\$ 3,179,192</u>

See accompanying notes to financial statements.

RIVER VALLEY SCHOOL DISTRICT

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
JUNE 30, 2011**

Total Fund Balances - Governmental Funds \$ 2,666,673

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

Capital assets used in governmental activities are not financial
resources and are not reported in the funds.

Cost of the capital assets 7,923,006

Accumulated depreciation (5,668,355)

Total Net Assets - Governmental Activities \$ 4,921,324

See accompanying notes to financial statements.

RIVER VALLEY SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Non Major Governmental Funds</u>	<u>Total</u>
Revenues			
Property taxes	\$ 6,493,733	\$ -	\$ 6,493,733
Local sources	49,974	132,009	181,983
State sources	434,628	10,715	445,343
Federal sources	422,420	191,541	613,961
Athletic sources	30,627	-	30,627
Interdistrict sources	222,234	-	222,234
Earnings on investments	36,550	3,744	40,294
Total Revenues	<u>\$ 7,690,166</u>	<u>\$ 338,009</u>	<u>\$ 8,028,175</u>
Expenditures			
Instruction	\$ 4,243,640	\$ -	\$ 4,243,640
Pupil services	334,349	-	334,349
Supporting services	2,482,982	279,384	2,762,366
Community services	5,300	-	5,300
Athletics	214,584	-	214,584
Capital outlay	181,453	34,364	215,817
Total Expenditures	<u>\$ 7,462,308</u>	<u>\$ 313,748</u>	<u>\$ 7,776,056</u>
Excess of Revenues over Expenditures	<u>\$ 227,858</u>	<u>\$ 24,261</u>	<u>\$ 252,119</u>
Other Financing Sources (Uses)			
Operating transfers out	\$ -	\$ (20,000)	\$ (20,000)
Operating transfers in	20,000	-	20,000
Total Other Financing Sources(Uses)	<u>\$ 20,000</u>	<u>\$ (20,000)</u>	<u>\$ -</u>
Net Change in Fund Balances	\$ 247,858	\$ 4,261	\$ 252,119
Fund Balances - Beginning of year	2,167,427	247,127	2,414,554
Fund Balances - End of year	<u>\$ 2,415,285</u>	<u>\$ 251,388</u>	<u>\$ 2,666,673</u>

See accompanying notes to financial statements.

RIVER VALLEY SCHOOL DISTRICT

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ 252,119
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(237,972)
Capital outlay	215,817
Total	<u>\$ (22,155)</u>
Change in Net Assets of Governmental Activities	<u>\$ 229,964</u>

See accompanying notes to financial statements.

RIVER VALLEY SCHOOL DISTRICT

FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	<u>Agency Fund- Student Activities</u>
Assets:	
Cash and cash equivalents	\$ 108,109
Liabilities:	
Due to student groups	\$ 108,109

See accompanying notes to financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the River Valley School District (the “School District”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units and with the rules prescribed in the accounting manual by the Michigan Department of Education. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (“GASB”) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts’ reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District contains no component units.

District-Wide and Fund Financial Statements

The District-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District’s government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (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 and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds 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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements — The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District-Wide Statements (concluded) — Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements — Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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 of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental fund:

The General Fund is the School District's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for specific revenue sources that are restricted or committed expenditures for specific purposes other than debt service or capital projects. As of June 30, 2011 the special revenue maintained by the School District is the Food Services Fund.

Permanent Funds are used to account for the District's non-expendable scholarship where only the earnings are used to issue scholarships.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Fund Based Statements (Concluded)**

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments — Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables — in general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

Property Taxes - Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. For School District taxpayers, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the Berrien County delinquent tax rolls.

State Aid - The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state’s School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year is recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories — Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as inventory and deferred revenue until used.

Prepaid Items — certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements

Capital Assets — Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The school district does not have infrastructure type assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years
Land Improvements	10-20 years

Compensated Absences — the liability for compensated absences, if any, reported in the government-wide statements consists of unpaid, accumulated annual and vacation balances. The liability is calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. There was no liability for compensated absences at June 30, 2011.

Long-Term Obligations — in the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures. There were no long-term obligations at June 30, 2011.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Data — Comparative data is not included in the School District's financial statements.

Fund Equity – Accounting Change – During the year, the School District has adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this new statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard the fund balances classifications: reserved, designated, and unreserved were replaced with five new classifications: non-spendable, restricted, committed, assigned, and unassigned.

The following are the fund balance classifications:

Non-Spendable – This includes those amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. As of June 30, 2011, the following fund balances were classified as non-spendable: \$6,542 for inventories.

Restricted – This includes amounts that can be spent only for specific purposes stipulated by what the external resources provide (for example grant providers, constitutionally, or through enabling legislation.) These restrictions may be changed or lifted only with the consent of resource providers. As of June 30, 2011, the following fund balances have been restricted: \$165,678 for scholarships, and \$57,305 for food service.

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. As of June 30, 2011, none of the District's governmental fund balances were committed.

Assigned – This includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. As of June 30, 2011, \$705,546 of the District's governmental fund balances was assigned for fiscal 2012 budgeted deficits.

Unassigned – This represents the residual classification for the fund balance that has not met any of the previous classifications. As of June 30, 2011, \$1,731,602 of the governmental fund balances is unassigned.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**Fund Equity – Accounting Change –Concluded**

When multiple components of fund balance are available for the same expenditure (for example, a project has both restricted and unrestricted funds available for it), spending will occur in this order – restricted, committed, assigned and unassigned.

GASB 54 also changed the fund definition of a special revenue fund. Before GASB 54, the special revenue fund's purposes was to account for the proceeds of revenue sources (other than trusts for individual, private organizations, or other governments or for major capital projects) that are *legally restricted* to expenditure for *specified purposes*. The standard's new definition of a special revenue fund is a fund established to account for and report the proceeds of specific revenue sources that are *restricted or committed to expenditures* for specific purposes other than debt service or capital projects. A special revenue fund must now have a specific restricted or committed revenue source which comprises a substantial portion of fund's resources on an ongoing basis. If a current fund does not have this trait the fund is now reported in the General Fund. In the School District's June 30, 2010 audit, the Athletic Fund was reported as a separate special revenue fund. This fund is now part of the General Fund.

Estimates — The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and major special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. There were two amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year-end; the commitments will be re-appropriated and honored during the subsequent year.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONCLUDED

Excess of Expenditures Over Appropriations in Budgeted Funds - The School District had expenditures that exceeded appropriations in the following budgeted functions:

General Fund:	
Instruction - Preschool	\$ 2,511
Instruction - Technical Educaiton	968
Supporting Services - Personnel services	3,916
Supporting Services - Pupil accounting	289

Funds sufficient to provide for excess expenditures were made available from other functions in the fund, and the excess had no impact on the financial results of the School District.

NOTE 3. DEPOSITS AND INVESTMENTS

As of June 30, 2011, the School District deposits and investments include the following:

	Balance Sheet Classification			
	Cash and Cash			
	Equivalent	Investments	Total	Fiduciary Funds
Deposits	\$ 2,972,624	\$ -	\$ 2,972,624	\$ 108,109
Investments	-	69,444	69,444	-
	<u>\$ 2,972,624</u>	<u>\$ 69,444</u>	<u>\$ 3,042,068</u>	<u>\$ 108,109</u>

Bank Deposits:

All cash of the School District is on deposit with financial institutions which provide FDIC insurance coverage or in highly liquid pooled money funds.

Custodial Credit Risk—Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. As of June 30, 2011 \$1,892,668 of the School District’s bank balance of \$3,054,246 was exposed to custodial credit risk, because it was uninsured and collateralized with securities held by the pledging financial institution’s trust depart or agent, but not in the School District’s name.

NOTE 3. DEPOSITS AND INVESTMENTS (CONCLUDED)

Investments:

Michigan law permits investments in: 1) Bonds and other obligations of the United States Governments, 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively, 3) Certain commercial paper, 4) United States Government repurchase agreements, 5) Banker's acceptance of the United States Bank, and 6) Certain mutual funds. The School District has put further restrictions on those investments through its current policy, and the following investment is permitted by law and policy.

Investment Type	Fair Value	Investment Maturities			
		Current	1-5 years	6-10 years	More than 10
Investment Pools	\$ 69,444	\$ 69,444	\$ -	\$ -	\$ -

Interest Rate Risk: In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

Credit Risk: State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by Nationally Recognized Statistical Rating Organizations ("NRSRO's"). As of June 30, 2011, the School District's investment in the investment pool was rated AAA by Standard's & Poor.

Concentration of Credit Risk: The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. All of the School District's investments are in investment pools which represent 100% of the School District's total investments.

Custodial Credit Risk—Investments: For an Investment, this is the risk that in the event of bank failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investments in the investment pool of \$69,444, the School District has a custodial credit risk exposure of \$69,444 because the related securities are uninsured, unregistered, and held by the School District's brokerage firm which is also the counterparty for these particular securities.

RIVER VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4. CAPITAL ASSETS

Capital asset activity of the School District’s governmental activities was as follows:

	July 1, 2010	Additions	Disposals and Adjustments	June 30, 2011
Assets not being depreciated:				
Land	\$ 38,766	\$ -	\$ -	\$ 38,766
Capital assets being depreciated:				
Building and building improvements	\$ 5,541,253	\$ 67,374	\$ -	\$ 5,608,627
Land improvements	577,189	-	-	577,189
Buses and other vehicles	726,790	114,079	(57,158)	783,711
Furniture and fixtures	880,349	34,364	-	914,713
Subtotal	<u>\$ 7,725,581</u>	<u>\$ 215,817</u>	<u>\$ (57,158)</u>	<u>\$ 7,884,240</u>
Accumulated depreciation:				
Building and building improvements	\$ (3,912,632)	\$ (114,954)	\$ -	\$ (4,027,586)
Land improvements	(433,375)	(16,410)	-	(449,785)
Buses and other vehicles	(525,665)	(56,600)	57,158	(525,107)
Furniture and fixtures	(615,869)	(50,008)	-	(665,877)
Subtotal	<u>\$ (5,487,541)</u>	<u>\$ (237,972)</u>	<u>\$ 57,158</u>	<u>\$ (5,668,355)</u>
Net capital assets being depreciated	<u>\$ 2,238,040</u>			<u>\$ 2,215,885</u>
Net capital assets	<u>\$ 2,276,806</u>			<u>\$ 2,254,651</u>

Depreciation expense of \$237,972 was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

Note 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Interfund Transfers:		
Transfer In:	Transfer Out:	Amount
School Service	General Fund	<u>\$ 20,000</u>

The current year transfer was from the school service to the general fund to subsidize indirect costs.

NOTE 6. RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance for health claims and participates in the SET/SEG (risk pool) for claims relating to workers' compensation and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 7. DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at the Office of Retirement Services, P.O. Box 30171, Lansing, MI 48909-7671.

Funding Policy - The employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals were as follows of the covered payroll to the plan:

Period	Rate for Employment	
	Before 7/1/10	After 7/1/10
July 1st to September 30, 2010	16.94%	15.44%
October 1st to October 31, 2010	19.41%	17.91%
November 1st to June 30, 2011	20.66%	19.16%

Basic plan member make no contributions, but Member Investment Plan members contribute a rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPERS plan for the years ended June 30, 2011, 2010, and 2009 were \$754,564, \$665,272, and \$640,345, respectively.

NOTE 7. DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS (CONCLUDED)

Post Employment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverage's contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage's. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

NOTE 8. RECEIVABLES AND PAYABLES

Receivables as of year-end for the School District's individual major funds, and the non-major funds and fiduciary funds in the aggregate, including any allowance for uncollectible amounts are as follows:

	General Fund	Nonmajor and Other Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Receivables:			
Intergovernmental	\$ 128,937	\$ 1,645	\$ 130,582
	<u> </u>	<u> </u>	<u> </u>

Payables as of year-end for the School District's individual major funds, and the non-major and fiduciary funds in the aggregate, are as follows:

	General Fund	Nonmajor and Other Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Payables:			
Trade	\$ 56,640	\$ -	\$ 56,640
	<u> </u>	<u> </u>	<u> </u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

RIVER VALLEY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance (Negative) Positive</u>
Revenues				
Property taxes	\$ 6,659,864	\$ 6,453,418	\$ 6,493,733	\$ 40,315
Local sources	18,240	50,026	49,974	(52)
State sources	286,442	438,047	434,628	3,419
Federal sources	334,748	373,492	422,420	48,928
Athletic sources	23,000	30,600	30,627	27
Interdistrict sources	49,721	223,759	222,234	(1,525)
Earnings on investments	50,025	35,000	36,550	1,550
Total Revenues	<u>\$ 7,422,040</u>	<u>\$ 7,604,342</u>	<u>\$ 7,690,166</u>	
Expenditures				
Instruction:				
Elementary	\$ 1,744,396	\$ 1,629,852	\$ 1,590,098	\$ 39,754
Middle School	880,164	852,776	825,996	26,780
High School	930,074	929,575	870,638	58,937
Preschool	71,436	86,437	88,948	(2,511)
Summer school	5,824	4,672	4,671	1
Special Education	540,438	505,215	496,188	9,027
Compensatory Education	287,950	282,534	264,817	17,717
Technical Education	99,770	101,316	102,284	(968)
Pupil Services	334,245	336,221	334,349	1,872
Supporting services:				
Improvement of instruction	53,534	70,934	56,053	14,881
Media services/audiovisual	80,839	84,053	80,439	3,614
Technology assistance	-	10,110	9,060	1,050
Board of education	76,525	62,275	62,076	199
Executive	233,533	235,050	229,978	5,072
Principal	502,326	506,982	497,765	9,217
Business	209,220	198,811	196,774	2,037
Operations	833,256	840,686	733,525	107,161
Pupil transportation	459,767	480,100	450,976	29,124
Personnel services	13,778	15,838	19,754	(3,916)
Information management services	115,528	150,769	135,496	15,273
Pupil accounting	8,499	10,797	11,086	(289)
Athletics	242,168	218,402	214,584	3,818
Community services	24,839	10,460	5,300	5,160
Capital outlay	181,453	181,453	181,453	-
Total Expenditures	<u>\$ 7,929,562</u>	<u>\$ 7,805,318</u>	<u>\$ 7,462,308</u>	
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ (507,522)</u>	<u>\$ (200,976)</u>	<u>\$ 227,858</u>	
Other Financing Sources (Uses)				
Operating transfers in	\$ -	\$ 20,000	\$ 20,000	
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	
Net Change in Fund Balances	<u>\$ (507,522)</u>	<u>\$ (180,976)</u>	<u>\$ 247,858</u>	
Fund Balances - Beginning of year	<u>2,167,427</u>	<u>2,167,427</u>	<u>2,167,427</u>	
Fund Balances - End of year	<u><u>\$ 1,659,905</u></u>	<u><u>\$ 1,986,451</u></u>	<u><u>\$ 2,415,285</u></u>	

**OTHER SUPPLEMENTARY
INFORMATION**

RIVER VALLEY SCHOOL DISTRICT

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

	<u>Special Revenue Fund</u>	<u>Permanent Fund</u>	Total Non-Major Governmental Funds
	<u>Food Service Fund</u>	<u>Scholarship Funds</u>	
Assets			
Cash and investments	\$ 81,260	\$ 165,678	\$ 246,938
Due from other governmental units	1,645	-	1,645
Inventories	6,542	-	6,542
Total Assets	<u>\$ 89,447</u>	<u>\$ 165,678</u>	<u>\$ 255,125</u>
Liabilities and Fund Balances			
Liabilities			
Accrued salaries and withholdings	\$ 3,737	\$ -	\$ 3,737
Total Liabilities	<u>\$ 3,737</u>	<u>\$ -</u>	<u>\$ 3,737</u>
Fund Balances			
Non-spendable: Used for inventories	\$ 6,542	\$ -	\$ 6,542
Restricted:			
Scholarships	-	165,678	165,678
Food service	57,305	-	57,305
Assigned: 2012 budget deficits	21,863	-	21,863
Total Fund Balances	<u>\$ 85,710</u>	<u>\$ 165,678</u>	<u>\$ 251,388</u>
Total Liabilities and Fund Balances	<u>\$ 89,447</u>	<u>\$ 165,678</u>	<u>\$ 255,125</u>

RIVER VALLEY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	<u>Special Revenue Fund</u>	<u>Permanent Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Food Service Fund</u>	<u>Scholarship Funds</u>	
Revenues			
Local sources	\$ 109,391	\$ 22,618	\$ 132,009
State sources	10,715	-	10,715
Federal sources	191,541	-	191,541
Earnings on investments	94	3,650	3,744
Total Revenues	<u>\$ 311,741</u>	<u>\$ 26,268</u>	<u>\$ 338,009</u>
Expenditures			
Current:			
Supporting services	\$ 279,384	\$ -	\$ 279,384
Capital outlay	34,364	-	34,364
Total Expenditures	<u>\$ 313,748</u>	<u>\$ -</u>	<u>\$ 313,748</u>
Excess (Deficiency) of Revenues over(under)			
Expenditures	\$ (2,007)	\$ 26,268	\$ 24,261
Other Financing Sources (Uses)			
Operating transfers out	(20,000)	-	(20,000)
Net Change in Fund Balances	<u>\$ (22,007)</u>	<u>\$ 26,268</u>	<u>\$ 4,261</u>
Fund Balances - Beginning of year	<u>107,717</u>	<u>139,410</u>	<u>247,127</u>
Fund Balances - End of year	<u><u>\$ 85,710</u></u>	<u><u>\$ 165,678</u></u>	<u><u>\$ 251,388</u></u>

**SINGLE AUDIT
INFORMATION**

RIVER VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA	Source Code and Project Number	Approved Grant Award Amount	Accrued (Deferred) Revenue 7/1/2010	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Deferred) Revenue 6/30/2011
U.S. Department of Education								
<i>Passed through Michigan Department of Education ("MDE"):</i>								
Title I, Part A Cluster:								
Title I-Grants to Local Education Agencies	84.010	10153-0910	\$ 168,029	\$ 19,462	\$ 156,098	\$ -	\$ (19,462)	\$ -
Title I-Grants to Local Education Agencies	84.010	11530-1011	196,718	-	-	192,241	(160,613)	31,628
Subtotal Title I, Part A			\$ 364,747	\$ 19,462	\$ 156,098	\$ 192,241	\$ (180,075)	\$ 31,628
American Recovery and Reinvestment Act Title I, Grants to Local Education Agencies	84.389	101535-0910	85,517	12,087	85,517	-	(12,087)	-
Total Title I, Part A Cluster			\$ 450,264	\$ 31,549	\$ 241,615	\$ 192,241	\$ (192,162)	\$ 31,628
American Recovery and Reinvestment Act Title II, Part D-Enhancing Education Through Technology	84.386	104295-0910	\$ 3,137	\$ 3,137	\$ 3,137	\$ -	\$ (3,137)	\$ -
American Recovery and Reinvestment Act Title II, Part D-Enhancing Education Through Technology	84.386	114295-1011	90	-	-	90	(90)	-
Total American Recovery and Reinvestment Act Title II, Part D - Enhancing Education Through Technology			\$ 3,227	\$ 3,137	\$ 3,137	\$ 90	\$ (3,227)	\$ -
Title II, Part A-Teacher/Principal Training & Recruiting	84.367	100520-0910	\$ 63,231	\$ 2,609	\$ 61,010	\$ -	\$ (2,609)	\$ -
Title II, Part A-Teacher/Principal Training & Recruiting	84.367	110420-1011	59,497	-	-	50,572	(40,671)	9,901
Total I Title II, Part A			\$ 122,728	\$ 2,609	\$ 61,010	\$ 50,572	\$ (43,280)	\$ 9,901
Education Jobs Fund	84.410	112545-1011	\$ 133,853	\$ -	\$ -	\$ 133,853	\$ (133,853)	\$ -
Total Passed through MDE			\$ 710,072	\$ 37,295	\$ 305,762	\$ 376,756	\$ (372,522)	\$ 41,529
<i>Passed through Berrien County Regional Education Service Agency ("RESA"):</i>								
Vocational Educational - Perkins II	84.048	Unknown	\$ 11,731	\$ -	\$ -	\$ 11,731	\$ (11,731)	\$ -
Safe and Drug-Free School and Communities	84.186	Unknown	\$ 2,200	\$ -	\$ -	\$ 2,200	\$ (2,200)	\$ -
American Recovery and Reinvestment Act - Special Education-Grants to States	84.391	100455-0910	\$ 127,573	\$ 7,136	\$ 100,072	\$ 27,501	\$ (34,637)	\$ -
Total Passed through RESA			\$ 141,504	\$ 7,136	\$ 100,072	\$ 41,432	\$ (48,568)	\$ -
Total U.S. Department of Education			\$ 851,576	\$ 44,431	\$ 405,834	\$ 418,188	\$ (421,090)	\$ 41,529

See accompanying notes to Schedule of Expenditures of Federal Awards.

RIVER VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA	Source Code and Project Number	Approved Grant Award Amount	Accrued (Deferred) Revenue 7/1/2010	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Deferred) Revenue 6/30/2011
U.S. Department of Agriculture								
<i>Passed through Michigan Department of Education ("MDE"):</i>								
Child Nutrition Cluster:								
<i>Non-Cash Assistance(Commodities):</i>								
National School Lunch Program-Entitlements	10.555	n/a	\$ 15,920	\$ -	\$ -	\$ 15,920	\$ (15,920)	\$ -
National School Lunch Program-Bonus	10.555	n/a	1,370	-	-	1,370	(1,370)	-
Non-Cash Assistance subtotal			\$ 17,290	\$ -	\$ -	\$ 17,290	\$ (17,290)	\$ -
<i>Cash Assistance:</i>								
School Breakfast Program	10.553	101970/111970	\$ 45,842	\$ -	\$ -	\$ 45,842	\$ (45,842)	\$ -
National School Lunch Program	10.555	101950/111950	123,215	-	-	123,215	(123,215)	-
Summer Food Service Program for Children	10.559	100900/101900	5,194	-	-	5,194	(5,194)	-
Cash Assistance subtotal			\$ 174,251	\$ -	\$ -	\$ 174,251	\$ (174,251)	\$ -
Subtotal Child Nutrition Cluster			\$ 191,541	\$ -	\$ -	\$ 191,541	\$ (191,541)	\$ -
<i>Passed through Berrien County Regional Education Service Agency ("RESA"):</i>								
Federal Splash Grant	10.561	Unknown	\$ 4,775	\$ 1,662	\$ 4,775	\$ 2,090	\$ (3,752)	\$ -
Total Passed through RESA			\$ 4,775	\$ 1,662	\$ 4,775	\$ 2,090	\$ (3,752)	\$ -
Total U.S. Department of Agriculture			\$ 196,316	\$ 1,662	\$ 4,775	\$ 193,631	\$ (195,293)	\$ -
U.S. Department of Health and Human Services								
<i>Passed through Berrien County Regional Education Service Agency ("RESA"):</i>								
Medicaid Outreach - 2009 - 2010	93.778	Unknown	\$ 26,078	\$ 2,188	\$ 26,078	\$ -	\$ (2,188)	\$ -
Medicaid Outreach - 2010 - 2011	93.778	Unknown	2,142	-	-	2,142	(2,142)	-
Subtotal Medicaid Outreach			\$ 28,220	\$ 2,188	\$ 26,078	\$ 2,142	\$ (4,330)	\$ -
Total U.S. Department of Health and Human Services			\$ 28,220	\$ 2,188	\$ 26,078	\$ 2,142	\$ (4,330)	\$ -
Total Federal Assistance			\$ 1,076,112	\$ 48,281	\$ 436,687	\$ 613,961	\$ (620,713)	\$ 41,529

See accompanying notes to Schedule of Expenditures of Federal Awards.

RIVER VALLEY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Type of auditors report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Type of auditors report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with §510(a) of OMB Circular A-133? Yes 2011-1

Identification of major programs:

CFDA
Number(s) Name of Federal Program or Cluster
84.410 Education Jobs Fund
10.553,10.555
, 10.559 Children Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee? Yes No

RIVER VALLEY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2011

SECTION II – STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

There were no prior year financial statement findings.

SECTION III – FINANCIAL STATEMENT FINDINGS

There were no current year financial statement findings.

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding - 2011-1

CFDA Number and Title:

10.553 - Child Nutrition Cluster -
School Breakfast Program

10.555 - Child Nutrition Cluster -
National School Lunch Program

10.559 - Child Nutrition Cluster -
Summer Food Service Program
for Children

Federal Grantor Name: U.S. Department of Agriculture

Questioned Cost Amount: None

Description of Condition:

The District received \$191,541 in federal funds for its National School Lunch, Summer Food Service Program and School Breakfast programs in fiscal year 2011. Our audit noted a noncompliance with federal and state requirements.

Special Tests and Provisions:

Michigan Department of Education requires that a complete on-site review of the National School Lunch Program must be conducted by the District in each building prior to February 1. The review form must be completed and retained on file within the District. During our audit it was noted that the District did not keep the documentation of the on-site review.

Cause of Condition:

The District did not realize that documentation of the onsite review should be kept and was not kept after the review was performed. Only the verification reports of free and reduced applications were kept.

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, CONCLUDED

Effect of Condition:

Since documentation was not kept there was no proof that an on-site review as performed. Without performing this review improvements could be missed during the year.

District's Response:

In response, we can assure that an on-site review of the National School Lunch Program was conducted in each building prior to February 1. We were not aware of the requirement to keep this documentation on hand. While the deficiency existed in the school years examined by your office, it was addressed and corrected during your onsite audit.

We can assure you School District staff pride themselves in doing their jobs with a great degree of accuracy and efficiency. With diminishing resources we have reduced staff to a minimal level requiring everyone to do more and to do jobs they have not done in the past. While this finding is troubling, there was no mismanagement of federal funds and we have a properly designed process fully instituted.

That being said, implementation of the following occurred for the 2011-2012 fiscal year: A complete review of the National School Lunch Program will be conducted by the School District in each building prior to February 1. We will keep the review form on file within the School District.

Auditor's Remarks:

We appreciate the steps the School District has taken to address this concern for the current school year. We will follow up during our next regularly scheduled audit.

RIVER VALLEY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2011

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:

The accompanying schedule of expenditures of federal awards is a summary of the cash activity of the River Valley School District's federal award programs and also presents those transactions that would be included in the financial statements of the District presented on the accrual basis of accounting, as contemplated by U.S. generally accepted accounting principles.

NOTE 2. EXPENDITURES AND FINANCIAL REPORTS

The expenditures in this schedule of federal financial awards are considered necessary and reasonable for the proper administration of the related programs and are in agreement with the amounts reported in the financial statements and the related financial reports submitted to the Michigan State Department of Education. The financial reports that have been submitted are timely, complete, accurate, and contain information that is supported by the records from which the basic financial statements have been prepared.

NOTE 3. FOOD DISTRIBUTION

The amounts reported on the Recipient Entitlement Balance Report (PAL report), agree with this schedule for USDA donated food commodities and are reported in the cash receipts column. Spoilage or pilferage, if any, is included in expenditures.

NOTE 4. SCHEDULE OF RECONCILIATION OF REVENUES WITH EXPENDITURES FOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The actual Federal source revenues amounted to \$613,961 per the audit of the financial statements. The related expenditures are composed of the following:

	Amount
Actual cash expenditures	\$ 596,671
Bonus and entitlement commodities used	17,290
	<u>\$ 613,961</u>

NOTE 5. SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUB-RECIPIENTS

None for the current year.

**MANAGEMENT COMPLIANCE
LETTERS**



**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
River Valley School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of River Valley School District as of and for the year ended June 30, 2011, which collectively comprise River Valley School District's basic financial statements and have issued our report thereon dated September 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a 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 or possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether River Valley 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies, and pass-through entities, is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads 'Schaffer & Layher'.

Schaffer & Layher
September 30, 2011



Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on the Internal Control Over Compliance In Accordance with OMB Circular A-133

To the Board of Education of
River Valley School District

Compliance

We have audited the compliance of River Valley School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of River Valley School District's major federal programs for the year ended June 30, 2011. River Valley School District's major federal programs are identified in the summary of auditor's results section accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of River Valley School District's management. Our responsibility is to express an opinion on River Valley School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about River Valley School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on River Valley School District's compliance with those requirements.

In our opinion, River Valley School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A – 133 and which is described in the accompanying schedule of findings and questions costs as item 2011-1.

Internal Control over Compliance

The management of River Valley School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered River Valley School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

River Valley School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit River Valley School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'Schaffer & Layher' in a cursive script.

Schaffer & Layher
September 30, 2011