

ROCKWELL-SWALEDALE COMMUNITY SCHOOL  
DISTRICT

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

June 30, 2004

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## Independent Auditor's Report

To the Board of Education of  
[Rockwell-Swaledale](#) Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of [Rockwell-Swaledale](#) Community School District, [Rockwell](#), Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of [Rockwell-Swaledale](#) Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12 to the financial statements, during the year ended June 30, 2004, [Rockwell-Swaledale](#) Community School District adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement Number 38, Certain Financial Statement Note Disclosures; Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated [October 26, 2004](#), on our consideration of [Rockwell-Swaledale](#) Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 16 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rockwell-Swaledale Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2001 (none of which are presented herein) were prepared by other auditors who expressed an unqualified opinion. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

October 26, 2004

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT  
210 South 2<sup>nd</sup> Street  
Rockwell, IA 50469

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Rockwell-Swaledale Community School District provides this discussion and analysis of the District's financial performance and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Because the Rockwell-Swaledale Community School District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operation.

FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,215,675 in fiscal year 2003 to \$3,157,299 in fiscal year 2004. General Fund expenditures also decreased from \$3,234,896 in fiscal 2003 to \$3,180,397 in fiscal 2004 but this still resulted in a decrease of \$22,023 in the General Fund balance from \$317,858 in fiscal 2003 to \$295,835 in fiscal 2004 or a 6.93% percent decrease in fund balance.
- The decrease in General Fund revenues was attributable to several factors. A decline in interest rates made a slight difference but the loss of Phase III funding, a decrease in the amount of several state and federal grants and the discontinuation of sharing the curriculum coordinator and vocational agriculture positions were all contributors. The decrease in expenditures was due primarily to sharing classes with Sheffield-Chapin CSD. This allowed us to not replace two teachers that took early retirement after first semester thus saving salary and benefits for these positions. There was also a substantial savings in supplies and equipment due to all budgets being strictly adhered to.
- The school suffered two large losses that were covered by insurance. This increased revenues and expenditures in the PPEL Fund. The largest expenditure was the replacement of several areas on the roof due to hail damage.
- The first year of receiving local option sales tax allowed us to plan for the sale of \$1.9 million in school infrastructure local option sales and services tax revenue bonds. The money will be used for a three phase project starting with building a new vocational technology building, then an addition to the high school and renovation of existing classrooms and finally renovation of the elementary school.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements are *Government-wide financial statements* that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School District, reporting the School District’s operations in more detail than the Government-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short-term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the School District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others, such as scholarships.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District’s budget for the year.

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

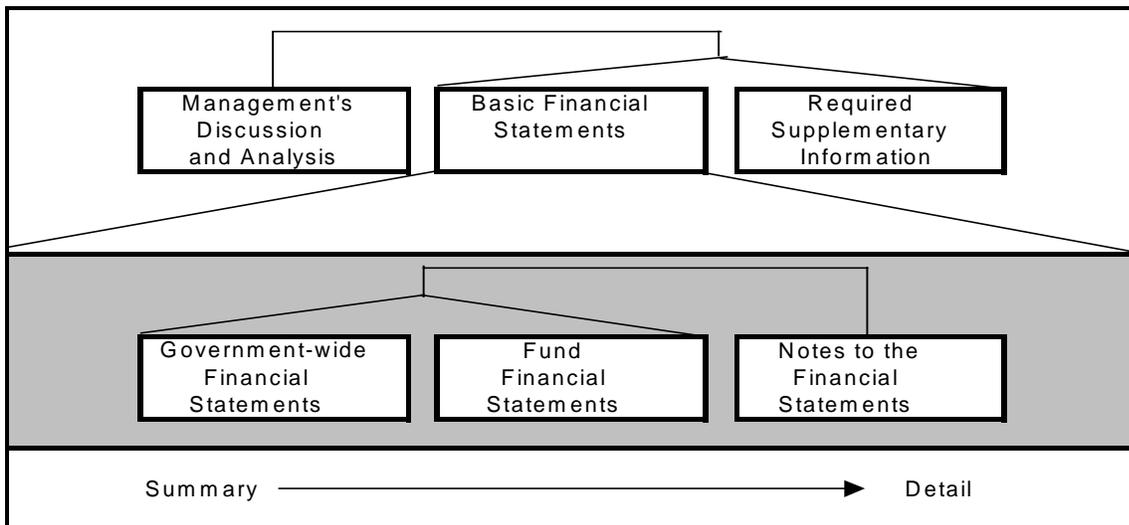


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>FIGURE A-2</b>				
<b>MAJOR FEATURES OF THE GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS</b>				
	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	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of revenues, expenses and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources	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

## GOVERNMENT-WIDE STATEMENTS

The Government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two Government-wide statements report the School District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the School District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds – not the School District as a whole. Funds are accounting devices the School 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 School 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 School District has three kinds of funds:

*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 School District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explain the relationship or differences between the two statements.

- The School District's governmental funds include the General Fund, Management Fund, Student Activity Fund, Physical Plant and Equipment Levy and Capital Projects Fund.

*Proprietary funds:* Services for which the School District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the [Government](#)-wide statements.

- The School 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 School District currently has one enterprise fund, the School Nutrition Fund.

*Fiduciary Funds:* The School District is the trustee, or fiduciary, for assets that belong to others. These funds include scholarship funds.

- Scholarship Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The School 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 School District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net Assets** - Figure A-3 below provides a summary of the School District's net assets for the year ended June 30, 2004.

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total School District</b>
	2004	2004	2004
Current and other assets	2,552,102	(11,732)	2,540,370
Capital assets	1,426,203	9,104	1,435,307
<b>TOTAL ASSETS</b>	<b>3,978,305</b>	<b>(2,628)</b>	<b>3,975,677</b>
Long-term obligations	132,745		132,745
Other liabilities	1,744,959	1,649	1,746,608
<b>TOTAL LIABILITIES</b>	<b>1,877,704</b>	<b>1,649</b>	<b>1,879,353</b>
Net assets:			
Invested in capital assets, net of related debt	1,394,719	9,104	1,403,823
Restricted	442,565		442,565
Unrestricted	263,317	(13,381)	249,936
<b>TOTAL NET ASSETS</b>	<b>2,100,601</b>	<b>(4,277)</b>	<b>2,096,324</b>

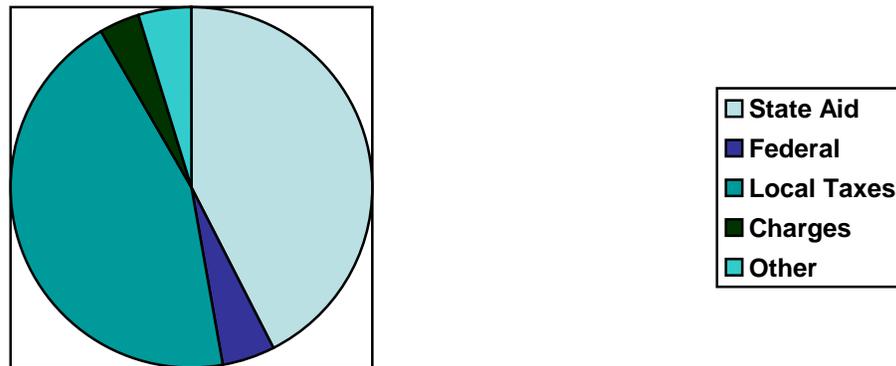
**Changes in Net Assets** - Figure A-4 shows the changes in net assets for the year ended June 30, 2004

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total School District</b>
	2004	2004	2004
<b>REVENUES:</b>			
Program revenues:			
Charges for service and sales	307,371	85,382	392,753
Operating grants and contr.	382,730	50,738	433,468
Capital gains and contributions	59,434		59,434
General revenues:			
Property tax	1,285,028		1,285,028
Income surtax	100,275		100,275
Local option sales & service	341,424		341,424
Unrestricted state grants	1,385,441		1,385,441
Unrestricted investment earnings	11,161	23	11,184
Other	806		806
<b>TOTAL REVENUES</b>	<b>3,873,670</b>	<b>136,143</b>	<b>4,009,813</b>
Special Items-compensation for loss of capital assets	198,763		
<b>TOTAL GENERAL REVEUES</b>	<b>4,072,433</b>	<b>136,143</b>	<b>4,009,813</b>
<b>PROGRAM EXPENSES</b>			
Governmental activities			
Instruction	(2,358,272)		(2,358,272)
Support services	(995,688)		(995,688)
Non-instructional programs	(562)	(162,154)	(162,716)
Other expenses	(270,074)		(270,074)
<b>TOTAL EXPENSES</b>	<b>(3,624,596)</b>	<b>(162,154)</b>	<b>(3,786,750)</b>
<b>CHANGE IN NET ASSETS</b>	<b>447,837</b>	<b>(26,011)</b>	<b>223,063</b>

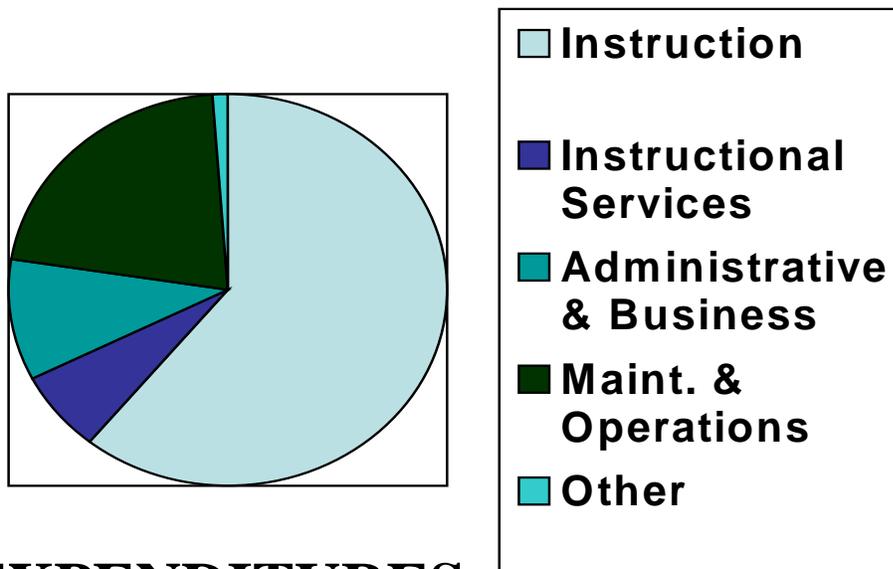
Property tax and unrestricted state grants account for 68.9 percent of the total revenue. The School District's expenses primarily relate to instruction and support services which account for 92.5 percent of the total expenses.

Approximately \$300,000 of the increase in net assets resulted from local option sales tax and insurance proceeds from storm damage that were received during the year but will not be spent until fiscal year 2005.

**FIGURE A-5  
ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT  
SOURCES OF REVENUES AND EXPENSES FOR FISCAL YEAR 2004**



**REVENUES**



**EXPENDITURES**

**Governmental Activities**

Revenues for governmental activities were \$4,072,433 and expenses were \$3,624,596, which amounted to an increase in net assets of \$447,837. The following table presents the total and net

cost of the School District” major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-6 Net Cost of Governmental Activities**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	2004	2004
Instruction	2,358,272	1,795,709
Support services	995,688	992,444
Non-instructional programs	562	562
Other expenses	270,074	86,345
<b>TOTAL</b>	<b>3,624,596</b>	<b>2,875,060</b>

The cost financed by users of the District’s programs was \$307,372.

Federal and state governments subsidized certain programs with grants and contributions totaling \$442,164.

The net cost of governmental activities was financed with \$1,285,028 in property taxes, \$341,424 in local option sales tax, \$100,275 in income surtax and \$1,385,441 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$136,143 and expenses were \$162,154. The District’s business type activities include the School Nutrition Fund. Revenues are comprised of charges for meals and federal and state reimbursements.

The net loss for the year was caused by a combination of factors, including increased costs for salaries, benefits and food and reduced revenues due to lower student enrollment.

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT’S FUNDS**

As previously noted, the Rockwell-Swaledale 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 \$708,535, well above last year’s ending fund balances of \$492,450.

## **Governmental Fund Highlights**

The School District's decreasing General Fund financial position is the product of many factors. Declining enrollment and the State's across-the-board cuts the last few years have resulted in expenditures being cut to the bare minimum. The District had several teachers take advantage of an early retirement package offered by the district last year. In an effort to reduce expenditures further, two of these teachers were not replaced and the District entered into an agreement with Sheffield-Chapin to share these positions. Despite these efforts, insurance rates, salaries and benefits continue to rise with little or no new money to cover the costs.

The General Fund expenditures for negotiated salaries decreased by \$56,885 from 2003 to 2004 whereas the benefits increased by \$69,740 from 2003 to 2004. The decrease in salaries is a result of early retirements where the positions were not replaced or were replaced with teachers lower on the salary schedule. The benefit increase was due to a large increase in health insurance costs. Salaries and benefits make up 76 percent of General Fund expenditures.

The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$108,803 to \$263,132. This large increase was due to 2 large losses covered by insurance and receipt of the final payment on a Fire Safety Grant.

The Capital Projects Fund balance increased from \$0 to \$148,890. The increase was due to this is the first year we collected funds from the one-cent local option sales tax passed by Cerro Gordo County on March 4, 2003.

The Management Fund balance decreased from \$48,305 to (\$14,949). This was a result of several people taking advantage of an early retirement package offered by the board and a large increase in the insurance benefit offered in the package. The budget for FY 2005 reflects changes to address this decrease.

## **Proprietary Fund Highlights**

The School Nutrition Fund balance decreased from \$21,734 to (\$4,277). This decrease resulted from the addition of a part-time cook and the purchase of new equipment. The district will try to off-set this decrease next year by controlling expenditures. If that does not result in a positive fund balance the district will look at raising lunch and snack prices.

## **BUDGETARY HIGHLIGHTS**

In accordance with code of Iowa, the Board of education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The School District's budget is prepared on the cash basis in accordance with generally accepted accounting principles. Over the course of the year the budget was amended

one time for the purpose of paying early retirement costs and covering expenditures related to the flood and hail damage losses.

School districts have two levels of budgetary control. One form of budgetary control exists through the “certified budget”, which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the “unspent (maximum) authorized budget” and pertains only to the General Fund of the District. The maximum authorized budget is the total “spending authority” in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the “actual General Fund cash”. It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the district.

### **Legal Budgetary Highlights**

The School District’s total actual receipts were \$3,963,833 or \$213,846 more than the total budgeted receipts, a variance of 5.7%.

Total expenditures were less than budgeted due primarily to the School District’s Budget for the General Fund. It is the School District’s practice to budget expenditures at the maximum authorized spending authority for the General Fund. The School District then manages or controls General Fund spending through its line-item budget. As a result, the School District’s certified budget should always exceed the actual expenditures during the year. The School Districts total actual expenditures were \$3,963,127 compared to the budget amount of \$4,416,766 or a difference of \$453,639 which is a 10.3% variance.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2004 the School district had invested \$1,435,307, 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). Depreciation expense was \$74,071 for Governmental Activities and \$1,113 for Business-type Activities, which is the School Nutrition Fund.

Governmental funds account for \$1,426,203 of the School District’s capital assets with the remainder of \$9,104 in the Proprietary, School Nutrition Fund.

Construction in progress of \$53,200 resulted from a roof replacement project that was started before year-end. The District had committed an additional \$213,000 for capital improvements at June 30, 2004.

**FIGURE A-7**

**CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total School District</b>
	2004	2004	2004
Land	86,900		86,900
Construction in progress	53,200		53,200
Buildings and improvements	1,124,220		1,124,220
Furniture and equipment	161,883	9,104	170,987
	<u>1,426,203</u>	<u>9,104</u>	<u>1,435,307</u>
<b>TOTALS</b>	<b>1,426,203</b>	<b>9,104</b>	<b>1,435,307</b>

**Long-Term Debt**

At June 30, 2004 the District's long-term debt included liabilities for a capital lease and early retirement benefits. The District purchased a bus during fiscal year 2004 using a capital lease.

**FIGURE A-8**

**OUTSTANDING LONG-TERM OBLIGATIONS**

**Long-Term Debt**

During fiscal year 2004 the District incurred new debt in the form of a lease purchase agreement for the acquisition of a bus.

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total School District</b>
	2004	2004	2004
Capital lease	31,484		31,484
Early retirement	101,261		101,261
<b>TOTALS</b>	<b>132,745</b>	<b>-</b>	<b>132,745</b>

**FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE**

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

The School District has experienced declining enrollment for the past several years. For the 2004-2005 school year the School District will need to levy for the budget guarantee.

In order to fund salary and benefit increases it will cost the district approximately \$60,000. In school year 2003-04 the district received no new money. In FY 2004-05 the district will also receive no new money. Settlements will be funded by cash reserves, early retirement savings, sharing, and contract terminations. This will have an adverse effect on the School District's General Fund budget and related fund balance.

The district shared a Superintendent and several high school programs with Sheffield-Chapin CSD in the hopes that it will lead to whole grade sharing and eventual consolidation.

The district began plans to sell \$1.95 million in school infrastructure local option sales and services tax revenue bonds to fund a new vocational technology building, a high school addition and renovation project and an elementary remodeling project.

### **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Foell, Business Manager /Board Secretary, Rockwell-Swaledale Community School District, 210 South 2<sup>nd</sup> Street, P.O. Box 60, Rockwell, IA 50469.

## BASIC FINANCIAL STATEMENTS

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	256,737	-	256,737
Other	489,840	-	489,840
Receivables:			
Property tax:			
Delinquent	17,029	-	17,029
Succeeding year	1,376,061	-	1,376,061
Accounts	192,598	882	193,480
Accrued interest:			
ISCAP	1,397	-	1,397
Other	-	-	-
Interfund receivable/payable	15,893	(15,893)	-
Due from other governments	202,547	-	202,547
Inventories	-	3,279	3,279
Capital assets, net of accumulated depreciation	1,426,203	9,104	1,435,307
<b>Total assets</b>	<b>3,978,305</b>	<b>(2,628)</b>	<b>3,975,677</b>
<b>Liabilities</b>			
Accounts payable	110,330	-	110,330
Accrued interest payable	221	-	221
Deferred revenue:			
Succeeding year property tax	1,376,061	-	1,376,061
Other	-	1,649	1,649
ISCAP warrants payable	255,000	-	255,000
ISCAP accrued interest payable	2,118	-	2,118
ISCAP premium	1,229	-	1,229
Long-term liabilities:			
Portion due within one year:			
Capital leases	31,484	-	31,484
Early retirement	29,783	-	29,783
Portion due after one year:			
Early retirement	71,478	-	71,478
<b>Total liabilities</b>	<b>1,877,704</b>	<b>1,649</b>	<b>1,879,353</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,394,719	9,104	1,403,823
Restricted for:			
Phase III	1,282	-	1,282
Gifted and talented program	13,634	-	13,634
Physical plant and equipment levy	263,132	-	263,132
Other special revenue purposes	15,627	-	15,627
Local option sales tax capital projects	148,890	-	148,890
Unrestricted	263,317	(13,381)	249,936
<b>Total net assets</b>	<b>2,100,601</b>	<b>(4,277)</b>	<b>2,096,324</b>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	1,608,515	166,990	185,787	-
Special instruction	405,679	996	64,798	-
Other instruction	344,078	139,243	4,749	-
	<u>2,358,272</u>	<u>307,229</u>	<u>255,334</u>	<u>-</u>
Support services:				
Student services	41,591	-	-	-
Instructional staff services	98,617	-	-	-
Administration services	426,707	-	-	-
Operation and maintenance of plant services	245,665	143	-	-
Transportation services	183,108	-	3,101	-
	<u>995,688</u>	<u>143</u>	<u>3,101</u>	<u>-</u>
Non-instructional programs	<u>562</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	101,133	-	-	59,434
Long-term debt interest	221	-	-	-
AEA flowthrough	124,295	-	124,295	-
Depreciation (unallocated)*	44,425	-	-	-
	<u>270,074</u>	<u>-</u>	<u>124,295</u>	<u>59,434</u>
Total governmental activities	<u>3,624,596</u>	<u>307,372</u>	<u>382,730</u>	<u>59,434</u>
Business type activities				
Non-instructional programs:				
Food service operations	<u>162,154</u>	<u>85,382</u>	<u>50,738</u>	<u>-</u>
Total	<u>3,786,750</u>	<u>392,754</u>	<u>433,468</u>	<u>59,434</u>

**General Revenues:**

Property taxes levied for:  
  General purposes  
  Capital outlay  
  Income surtax  
  Local option sales and services tax  
  Unrestricted state grants  
  Unrestricted investment earnings  
  Other

Total general revenues

Special items - compensation for loss of capital assets

Total general revenues and special items

**Change in net assets**

Net assets beginning of year, as restated

Net assets end of year

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

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(1,255,738)	-	(1,255,738)
(339,885)	-	(339,885)
(200,086)	-	(200,086)
<u>(1,795,709)</u>	<u>-</u>	<u>(1,795,709)</u>
(41,591)	-	(41,591)
(98,617)	-	(98,617)
(426,707)	-	(426,707)
(245,522)	-	(245,522)
(180,007)	-	(180,007)
<u>(992,444)</u>	<u>-</u>	<u>(992,444)</u>
<u>(562)</u>	<u>-</u>	<u>(562)</u>
(41,699)	-	(41,699)
(221)	-	(221)
-	-	-
<u>(44,425)</u>	<u>-</u>	<u>(44,425)</u>
<u>(86,345)</u>	<u>-</u>	<u>(86,345)</u>
(2,875,060)	-	(2,875,060)
<u>-</u>	<u>(26,034)</u>	<u>(26,034)</u>
<u>(2,875,060)</u>	<u>(26,034)</u>	<u>(2,901,094)</u>
1,212,676	-	1,212,676
72,352	-	72,352
100,275	-	100,275
341,424	-	341,424
1,385,441	-	1,385,441
11,161	23	11,184
806	-	806
<u>3,124,135</u>	<u>23</u>	<u>3,124,158</u>
198,763	-	198,763
<u>3,322,898</u>	<u>23</u>	<u>3,322,921</u>
447,838	(26,011)	421,827
<u>1,652,763</u>	<u>21,734</u>	<u>1,674,497</u>
<u>2,100,601</u>	<u>(4,277)</u>	<u>2,096,324</u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2004

	General Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	256,737	-	-	256,737
Other	227,736	145,893	116,211	489,840
Receivables:				
Property tax:				
Delinquent	15,120	961	948	17,029
Succeeding year	1,176,299	99,762	100,000	1,376,061
Accounts	832	191,467	299	192,598
Accrued interest - ISCAP	1,397	-	-	1,397
Interfund receivable	31,790	-	(15,897)	15,893
Due from other governments	117,234	26,953	58,360	202,547
<b>Total assets</b>	<b>1,827,145</b>	<b>465,036</b>	<b>259,921</b>	<b>2,552,102</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	24,788	75,189	10,353	110,330
ISCAP warrants payable	255,000	-	-	255,000
ISCAP accrued interest payable	2,118	-	-	2,118
ISCAP premium	1,229	-	-	1,229
Deferred revenue:				
Succeeding year property tax	1,176,299	99,762	100,000	1,376,061
Other	71,876	26,953	-	98,829
Total liabilities	1,531,310	201,904	110,353	1,843,567
Fund balances:				
Reserved for:				
Phase III	1,282	-	-	1,282
Gifted and talented program	13,634	-	-	13,634
Unreserved	280,919	263,132	149,568	693,619
Total fund balances	295,835	263,132	149,568	708,535
<b>Total liabilities and fund balances</b>	<b>1,827,145</b>	<b>465,036</b>	<b>259,921</b>	<b>2,552,102</b>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2004

<b>Total fund balances of governmental funds (Exhibit C)</b>	708,535
<i>Amounts reported for governmental activities in the Statement of Net Assets 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.	1,426,203
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	98,829
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(221)
Long-term liabilities, including capital leases payable and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(132,745)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>2,100,601</u></u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2004

	General Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,211,575	99,337	415,485	1,726,397
Tuition	146,155	-	-	146,155
Other	31,489	1,000	140,370	172,859
State sources	1,650,542	46	45	1,650,633
Federal sources	117,538	59,434	-	176,972
Total revenues	<u>3,157,299</u>	<u>159,817</u>	<u>555,900</u>	<u>3,873,016</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,512,967	-	106,050	1,619,017
Special instruction	405,679	-	-	405,679
Other instruction	199,433	-	141,227	340,660
	<u>2,118,079</u>	<u>-</u>	<u>247,277</u>	<u>2,365,356</u>
Support services:				
Student services	41,591	-	-	41,591
Instructional staff services	98,350	-	267	98,617
Administration services	412,432	-	14,275	426,707
Operation and maintenance of plant services	235,634	-	10,031	245,665
Transportation services	150,016	95,426	6,175	251,617
	<u>938,023</u>	<u>95,426</u>	<u>30,748</u>	<u>1,064,197</u>
Non-instructional programs	-	-	562	562
Other expenditures:				
Facilities acquisition	-	139,559	193,534	333,093
AEA flowthrough	124,295	-	-	124,295
	<u>124,295</u>	<u>139,559</u>	<u>193,534</u>	<u>457,388</u>
Total expenditures	<u>3,180,397</u>	<u>234,985</u>	<u>472,121</u>	<u>3,887,503</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(23,098)</u>	<u>(75,168)</u>	<u>83,779</u>	<u>(14,487)</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	750	198,013	-	198,763
Proceeds from capital lease	-	31,484	-	31,484
Sales of materials and equipment	325	-	-	325
Total other financing sources (uses)	<u>1,075</u>	<u>229,497</u>	<u>-</u>	<u>230,572</u>
Net change in fund balances	(22,023)	154,329	83,779	216,085
Fund balances beginning of year, as restated	<u>317,858</u>	<u>108,803</u>	<u>65,789</u>	<u>492,450</u>
Fund balances end of year	<u><u>295,835</u></u>	<u><u>263,132</u></u>	<u><u>149,568</u></u>	<u><u>708,535</u></u>

See notes to financial statements.

## ROCKWELL-SWALEDALE 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, 2004

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		216,085
<b><i>Amounts reported for governmental activities in the Statement of Activities are different because:</i></b>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:		
Expenditures for capital assets	324,194	
Depreciation expense	<u>(74,071)</u>	250,123
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		330
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		(221)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement		13,005
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(31,484)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>447,838</u></u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Fund

June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Accounts receivable	882
Inventories	3,279
Capital assets, net of accumulated depreciation	<u>9,104</u>
<b>Total assets</b>	<u>13,265</u>
<b>Liabilities</b>	
Interfund payable	15,893
Deferred revenue	<u>1,649</u>
<b>Total liabilities</b>	<u>17,542</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	9,104
Unrestricted	<u>(13,381)</u>
<b>Total net assets</b>	<u><u>(4,277)</u></u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Fund

Year ended June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>85,382</u>
Operating expenses:	
Non-instructional programs:	
Salaries	63,324
Benefits	20,522
Purchased services	541
Supplies	76,654
Depreciation	1,113
	<u>162,154</u>
Operating gain (loss)	<u>(76,772)</u>
Non-operating revenue:	
State sources	2,033
Federal sources	48,705
Interest income	23
Total non-operating revenue	<u>50,761</u>
Change in net assets	(26,011)
Net assets beginning of year	<u>21,734</u>
Net assets end of year	<u><u>(4,277)</u></u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	85,713
Cash payments to employees for services	(83,848)
Cash payments to suppliers for goods or services	(66,290)
Net cash used by operating activities	<u>(64,425)</u>
Cash flows from non-capital financing activities:	
Loan from General Fund	15,893
State grants received	2,033
Federal grants received	39,225
Net cash provided by non-capital financing activities	<u>57,151</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(903)</u>
Cash flows from investing activities:	
Interest on investments	<u>23</u>
Net increase (decrease) in cash and cash equivalents	(8,154)
Cash and cash equivalents at beginning of year	<u>8,154</u>
Cash and cash equivalents at end of year	<u><u>-</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(76,772)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	9,480
Depreciation	1,113
Decrease (increase) in inventories	2,050
Decrease (increase) in accounts receivable	784
(Decrease) increase in accounts payable	(627)
(Decrease) increase in deferred revenue	(453)
Net cash used in operating activities	<u><u>(64,425)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received \$9,480 of federal commodities.

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2004

	Private Purpose Trust Scholarship <u>          </u> \$
<b>Assets</b>	
Cash and pooled investments	10,827
<b>Liabilities</b>	
	<u>          </u> -
<b>Net Assets</b>	
Reserved for scholarships	<u><u>          </u></u> 10,827

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2004

	Private Purpose Trust Scholarship <u>          </u> \$
Additions:	
Local sources:	
Gifts and contributions	7,940
Interest	<u>300</u>
Total additions	8,240
Deductions:	
Support services:	
Scholarships awarded	<u>6,700</u>
Change in net assets	1,540
Net assets beginning of year	<u>9,287</u>
Net assets end of year	<u><u>10,827</u></u>

# ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2004

### 1. Summary of Significant Accounting Policies

**Rockwell-Swaledale** Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of **Rockwell and Swaledale**, Iowa and the predominately agricultural territory in a portion of **Cerro Gordo** 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, **Rockwell-Swaledale** 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 **Rockwell-Swaledale** Community School District **has no component units that** 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 does 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 County Assessor's Conference Board.

#### B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, 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.

The District reports the following major governmental funds:

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

The Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

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

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

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

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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 judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Proprietary funds distinguish operating revenues and expenses from 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 Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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 became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003, through June 30, 2004, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

#### E. Budgeting and Budgetary Control

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

## 2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 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.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$10,397 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

### 3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
General Fund	Special Revenue: Management Fund	15,897
General Fund	Enterprise: School Nutrition Fund	15,893

The General Fund loaned money to these two funds to facilitate cash flow.

### 4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of [June 30, 2004](#), is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments \$	Accrued Interest Receivable \$	Warrants Payable \$	Accrued Interest Payable \$
2003-04B	1/30/04	1/28/05	<u>256,737</u>	<u>1,397</u>	<u>255,000</u>	<u>2,118</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, [2004](#), is as follows:

Balance Beginning of Year \$	Advances Received \$	Advances Repaid \$	Balance End of Year \$
-	-	-	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
	%	%
2003-04B	2.000	1.131

## 5. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	<u>Balance Beginning of Year, as Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	-	53,200	-	53,200
Land	86,900	-	-	86,900
Total capital assets not being depr.	<u>86,900</u>	<u>53,200</u>	<u>-</u>	<u>140,100</u>
Capital assets being depreciated:				
Buildings	2,171,564	168,978	-	2,340,542
Improvements other than buildings	148,314	9,782	-	158,096
Furniture and equipment	398,410	92,234	-	490,644
Total capital assets being deprec.	<u>2,718,288</u>	<u>270,994</u>	<u>-</u>	<u>2,989,282</u>
Less accumulated depreciation for:				
Buildings	1,212,696	41,014	-	1,253,710
Improvements other than buildings	117,297	3,411	-	120,708
Furniture and equipment	299,115	29,646	-	328,761
Total accumulated depreciation	<u>1,629,108</u>	<u>74,071</u>	<u>-</u>	<u>1,703,179</u>
Total capital assets being depreciated, net	<u>1,089,180</u>	<u>196,923</u>	<u>-</u>	<u>1,286,103</u>
Governmental activities capital assets, net	<u>1,176,080</u>	<u>250,123</u>	<u>-</u>	<u>1,426,203</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	48,700	903	-	49,603
Less accumulated depreciation	<u>39,386</u>	<u>1,113</u>	<u>-</u>	<u>40,499</u>
Business type activities capital assets, net	<u>9,314</u>	<u>(210)</u>	<u>-</u>	<u>9,104</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	2,503
Other	3,418
Support Services:	
Transportation	23,725
	<u>29,646</u>
Unallocated depreciation	44,425
	<u>74,071</u>
Total depreciation expense – governmental activities	<u>74,071</u>
Business type activities:	
Food services	<u>1,113</u>

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Capital leases	-	31,484	-	31,484	31,484
Early retirement	114,266	45,486	58,491	101,261	29,783
	<u>114,266</u>	<u>76,970</u>	<u>58,491</u>	<u>132,745</u>	<u>61,267</u>
Total	<u>114,266</u>	<u>76,970</u>	<u>58,491</u>	<u>132,745</u>	<u>61,267</u>

### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be between the ages [fifty-five and sixty-two](#) and must have completed [ten](#) years of continuous service to the District, [except for administrators who must have completed ten years](#). Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on [the difference between the salary at the time of retirement and the base salary](#). Early retirement expenditures for the year ended June 30, [2004](#) totaled [\\$58,491](#).

### Capital Leases

The District has leased [a bus](#) under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, [2004](#).

	Year Ending June 30,	Amount
		\$
	<a href="#">2005</a>	31,778
Less Amount Representing Interest		<u>294</u>
Present Value of Minimum Lease Payments		<u>31,484</u>

## 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 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$106,263, \$110,275, and \$109,248 respectively, equal to the required contributions for each year.

## 8. Risk Management

**Rockwell-Swaledale** Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision, and prescription drugs.

Each member's contributions to ISEBA fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. The District's annual contributions to ISEBA for the year ended June 30, 2004, were \$272,875.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

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

## 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$124,295 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## 10. Construction Commitment

The District has entered into contracts totaling \$266,225 for roof repairs and remodeling. As of June 30, 2004 costs of \$53,200 had been incurred against the contracts. The balances remaining at June 30, 2004 will be paid as work on the project progresses.

## 11. Special Items

The District has recorded revenue for the insurance proceeds received for storm damage claims.

## 12. Accounting Change and Restatement

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during for year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities, and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund			Total
	General	PPEL	Nonmajor	
	\$	\$	\$	\$
Net assets, June 30, 2003, as previously reported	317,858	95,088	43,151	456,097
June 30, 2003 receivable not recorded	-	13,715	-	13,715
GASB Interpretation 6 adjustments	-	-	22,638	22,638
Net assets, July 1, 2003, as restated for Governmental funds	<u>317,858</u>	<u>108,803</u>	<u>65,789</u>	492,450
GASB 34 adjustments:				
Capital assets net of accumulated depreciation of \$1,629,108				1,176,080
Long-term liabilities:				
Early retirement				(114,266)
Deferred revenue				<u>98,499</u>
Net assets, July 1, 2003, as restated				<u><u>1,652,763</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	1,960,587	85,736	2,046,323	1,824,612	1,824,612	221,711
State sources	1,655,573	2,033	1,657,606	1,734,375	1,734,375	(76,769)
Federal sources	211,199	48,705	259,904	191,000	191,000	68,904
Total receipts	<u>3,827,359</u>	<u>136,474</u>	<u>3,963,833</u>	<u>3,749,987</u>	<u>3,749,987</u>	<u>213,846</u>
Disbursements:						
Instruction	2,362,787	-	2,362,787	2,409,113	2,409,113	46,326
Support services	1,063,684	-	1,063,684	1,292,831	1,292,831	229,147
Non-instructional programs	562	160,521	161,083	181,596	181,596	20,513
Other expenditures	375,573	-	375,573	333,226	533,226	157,653
Total disbursements	<u>3,802,606</u>	<u>160,521</u>	<u>3,963,127</u>	<u>4,216,766</u>	<u>4,416,766</u>	<u>453,639</u>
Excess (deficiency) of receipts over (under) disbursements	24,753	(24,047)	706	(466,779)	(666,779)	667,485
Other financing sources (uses) net	<u>23,212</u>	<u>15,893</u>	<u>39,105</u>	<u>-</u>	<u>-</u>	<u>39,105</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	47,965	(8,154)	39,811	(466,779)	(666,779)	706,590
Balance beginning of year	<u>441,875</u>	<u>8,154</u>	<u>450,029</u>	<u>504,006</u>	<u>504,006</u>	<u>(53,977)</u>
Balance end of year	<u><u>489,840</u></u>	<u><u>-</u></u>	<u><u>489,840</u></u>	<u><u>37,227</u></u>	<u><u>(162,773)</u></u>	<u><u>652,613</u></u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
	\$	\$	\$
Revenues	3,827,359	45,657	3,873,016
Expenditures	3,802,606	84,897	3,887,503
Net	24,753	(39,240)	(14,487)
Other financing sources (uses) net	23,212	207,360	230,572
Beginning fund balances	441,875	50,575	492,450
Ending fund balances	<u>489,840</u>	<u>218,695</u>	<u>708,535</u>
	<u>Proprietary Fund</u>		
	<u>Enterprise</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
	\$	\$	\$
Revenues	136,474	(331)	136,143
Expenditures	160,521	1,633	162,154
Net	(24,047)	(1,964)	(26,011)
Other financing sources (uses) net	15,893	(15,893)	-
Beginning fund balances	8,154	13,580	21,734
Ending fund balances	<u>-</u>	<u>(4,277)</u>	<u>(4,277)</u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

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 Internal Service, 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 [cash basis](#). Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by [\\$200,000](#).

OTHER SUPPLEMENTARY INFORMATION

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds		Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Local Option Sales Tax	
	\$	\$	\$	
Cash and pooled investments		15,531	100,680	116,211
Receivables:				
Property tax:				
Delinquent	948	-	-	948
Succeeding year	100,000	-	-	100,000
Accounts	-	299	-	299
Interfund receivable/payable	(15,897)	-	-	(15,897)
Due from other governments	-	-	58,360	58,360
<b>Total assets</b>	<b>85,051</b>	<b>15,830</b>	<b>159,040</b>	<b>259,921</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	203	10,150	10,353
Deferred revenue:				
Succeeding year property tax	100,000	-	-	100,000
Total liabilities	100,000	203	10,150	110,353
Fund balances:				
Unreserved fund balance	(14,949)	15,627	148,890	149,568
<b>Total liabilities and fund balances</b>	<b>85,051</b>	<b>15,830</b>	<b>159,040</b>	<b>259,921</b>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2004

	Special Revenue Funds		Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Local Option Sales Tax	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	74,061	-	341,424	415,485
Other	-	139,370	1,000	140,370
State sources	45	-	-	45
Total revenues	<u>74,106</u>	<u>139,370</u>	<u>342,424</u>	<u>555,900</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	106,050	-	-	106,050
Other instruction	-	141,227	-	141,227
Support services:				
Instructional staff services	267	-	-	267
Administration services	14,275	-	-	14,275
Operation and maintenance of plant services	10,031	-	-	10,031
Transportation services	6,175	-	-	6,175
Non-instructional programs	562	-	-	562
Other expenditures:				
Facilities acquisition	-	-	193,534	193,534
Total expenditures	<u>137,360</u>	<u>141,227</u>	<u>193,534</u>	<u>472,121</u>
Excess (deficiency) of revenues over (under) expenditures	(63,254)	(1,857)	148,890	83,779
Fund balances beginning of year, as restated	<u>48,305</u>	<u>17,484</u>	<u>-</u>	<u>65,789</u>
Fund balances end of year	<u>(14,949)</u>	<u>15,627</u>	<u>148,890</u>	<u>149,568</u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
General athletics	1,265	53,760	52,814	(280)	1,931
FFA	4,192	40,402	42,376	(58)	2,160
Student council - operating	1,448	1,965	2,338	(30)	1,045
Student council - junior high	161	1,421	1,494		88
Drama	287	-	-	-	287
Cheerleaders	303	4,156	4,455		4
NHS	405	1,261	1,328	-	338
Wellness	-	60	60	-	-
Music	-	309	249		60
Music Trip	-	100	-	-	100
Instruments	-	32	-	-	32
Uniforms	240	-	-	-	240
Yearbook	3,050	8,264	9,499	-	1,815
Seniors	3,059	43	3,842	4,979	4,239
Juniors	-	18,737	14,776	(3,961)	-
Academic honors banquet	21	106	-	757	884
Pop	-	2,126	1,134	(992)	-
Interest	-	136	-	(136)	-
Courtesy	-	1,681	1,681	-	-
Elementary	1,488	2,763	1,745	(279)	2,227
Library	1,430	2,068	3,417	-	81
Accrual entries beginning	135	(319)	(184)	-	-
Accrual entries ending	-	299	203	-	96
<b>Total</b>	<b>17,484</b>	<b>139,370</b>	<b>141,227</b>	<b>-</b>	<b>15,627</b>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,726,397	1,320,595	1,210,457	1,146,043
Tuition	146,155	138,791	113,269	98,519
Other	172,859	197,128	229,612	267,749
State sources	1,650,633	1,684,357	1,653,540	1,689,860
Federal sources	176,972	119,079	43,828	64,455
	<u>3,873,016</u>	<u>3,459,950</u>	<u>3,250,706</u>	<u>3,266,626</u>
Total revenues				
Expenditures:				
Instruction:				
Regular instruction	1,619,017	1,577,710	1,491,292	1,404,818
Special instruction	405,679	399,934	391,780	359,425
Other instruction	340,660	305,136	337,087	336,878
Support services:				
Student services	41,591	41,172	40,012	39,115
Instructional staff services	98,617	131,714	122,951	130,603
Administration services	426,707	411,900	418,939	379,264
Operation and maintenance of plant services	245,665	363,468	305,765	253,273
Transportation services	251,617	136,689	160,679	161,523
Non-instructional programs	562	52	266	314
Other expenditures:				
Facilities acquisition	333,093	-	-	7,233
AEA flowthrough	124,295	130,354	130,483	134,420
	<u>3,887,503</u>	<u>3,498,129</u>	<u>3,399,254</u>	<u>3,206,866</u>
Total expenditures				

## Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Board of Education of the  
[Rockwell-Swaledale](#) Community School District:

We have audited the financial statements of the [Rockwell-Swaledale](#) Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated [October 26, 2004](#). We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether [Rockwell-Swaledale](#) 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 grants, 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 that are required to be reported under Government Auditing Standards. [However, we noted certain immaterial instances of noncompliance 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, 2004 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. Prior year statutory comments have [all been resolved](#).

### Internal Control over Financial Reporting

In planning and performing our audit, we considered [Rockwell-Swaledale](#) Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items [04-I-A](#), [04-I-B](#), [04-I-C](#) and [04-I-D](#) are material weaknesses. Prior year reportable conditions have all been resolved except for items [04-I-A](#) and [04-I-B](#).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the [Rockwell-Swaledale](#) Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of [Rockwell-Swaledale 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.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

[October 26, 2004](#)

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

**04-I-A** Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

**04-I-B** Recording Receipts: We noted there was no receipt system to reconcile to the books for student activity, nutrition or athletic event receipts.

Recommendation: Receipts should be maintained and recorded in the accounting system by receipt number and reconciled to bank deposits.

District Response: We will maintain, record and reconcile receipts in our accounting system in the future on a regular basis.

Conclusion: Response accepted.

**04-I-C** School Expenditure Supporting Documentation and Board Approval: We noted the following items during our testing of District expenditures:

General Fund – We tested nineteen credit card payments. One payment for \$141 did not have detailed supporting documentation. We also tested a sample of travel expenditures and noted one payment without detailed documentation.

General Fund – We tested the electronic payments made during two months. The payments noted consisted of direct deposit payroll amounts and payroll taxes. None of the electronic payments made during these two months were on the list of bills approved by the board.

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

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

Student Activity Fund – We tested nine expenditures. Two items totaling \$4,542 were missing supporting documentation and were not included in the list of bills approved by the board

Recommendation: All District payments should be supported by detailed invoices, receipts, contracts or other documents prepared by or signed by entities outside of the District. These documents should specify exactly what the District is paying for and the amount to be paid.

The board should adopt a policy that specifies what types of items may be paid electronically and that specifies the controls that the District will use to ensure that procedures for electronic payments follow the requirements for all school payments that are set by Iowa law.

The District should also review its procedures for preparing the lists of bills for board approval. Chapter 179.29 of the Code of Iowa provides that “the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed.” Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage and printing, without prior Board approval. The Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Board President. The Board’s written policy should comply with Chapter 279.30 of the Code of Iowa. Then, except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed. Any payments made prior to board approval as allowed should be approved by the board at the next meeting.

District Response: We are in the process of reviewing and changing our current procedures.

Conclusion: Response accepted.

04-I-D

Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamps are under the care, custody and control of the administrative office. This practice negates the internal control procedure established by requiring two signatures on a check

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

- 04-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- 04-II-B Certified Budget: Disbursement for the year ended June 30, 2004, did not exceed the amounts budgeted.
- 04-II-C Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 04-II-D Travel Expenses: 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.
- 04-II-E Business Transactions: We noted no transactions between the District and District officials or employees.
- 04-II-F Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 04-II-G Board Minutes: No transactions requiring board approval that had not been approved by the board were noted, [except those discussed in comment 04-I-C](#).
- 04-II-H Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.
- 04-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 04-II-J Certified Annual Report (CAR): The CAR was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- 04-II-K Deficit Balances: The District has deficit fund balances in the [Special Revenue, Management Fund of \\$14,949](#) and in the [Enterprise, School Nutrition Fund of \\$4,277](#).

Recommendation: The District should monitor these funds and investigate alternatives to eliminate these deficits.

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.