

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	16-17
Statement of Activities	B	18-19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses, and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Notes to Financial Statements		27-37
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		39
Budget to GAAP Reconciliation		40
Notes to Required Supplementary Information - Budgetary Reporting		41
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	44
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	45-46
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	47
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		48-49
Schedule of Findings		50-53

Independent Auditor's Report

To the Board of Education of
Roland-Story 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 Roland-Story Community School District, Story City, 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 basic financial statements based on our audit.

Except as discussed in the following paragraph, 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.

The financial statements of Roland-Story Community School District Foundation have not been audited, and we were not engaged to audit the Foundation financial statements as part of our audit of the Roland-Story Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Foundation's financial statements and because we did not apply any auditing procedures to the Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

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 Roland-Story 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 11 to the financial statements, during the year ended June 30, 2004, Roland-Story 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 [September 21, 2004](#), on our consideration of [Roland-Story](#) 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 13 and 40](#) 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. 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 [Roland-Story](#) 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 three years ended June 30, [2003](#), (none of which are presented herein) and expressed unqualified opinions on those financial statements. 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

[September 21, 2004](#)

Management's Discussion and Analysis

This section of the Roland-Story Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2004. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Because the Roland-Story 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 operations.

Financial Highlights

- The General Fund ending fund balance decreased from \$1,130,214 in Fiscal Year 2003 to \$899,062 in Fiscal Year 2004 due primarily to the decision by the Board of Education to use reserves to maintain educational services in lieu of a small increase in State Foundation Aid and a decrease in student enrollment.
- Voters in the Hamilton and Hardin County passed a ten-year one-cent local option sales tax for school facilities which is expected to generate at least an additional \$22,000 per year. This is in addition to the anticipated \$760,000 already generated by Boone and Story Counties per year.
- The Board of Education authorized July 8, 2003 the spending of up to \$500,000 of local option tax funds to replace the heating and cooling rooftop units at the Elementary School. School Infrastructure Local Option Sales and Services Tax Revenue Bond Anticipation Project Notes in the amount of \$350,000 were issued for the elementary ventilation project.
- In the fall of 2003 the board after many months of discussion on a joint Recreation Facility with the City of Story City decided to cease the discussion and move ahead on its own. In October Brad Heemstra of Story Construction was contracted to be the Construction Manager for a new competition gym at the high school and practice facility at the middle school.
- In February 2004 a five-year board resolution was passed on the Instructional Support Levy increasing it to 6% with the current \$100,000 coming from property tax and the remainder of the 6% to come from income surtax. This is for five years commencing fiscal year ending June 30, 2005. The Instructional Support Levy is used for technology, maintaining class sizes, and high school programs.
- Roger Pohlman, High School Principal for thirty years retired June 30, 2004. Steve Schlatter was hired to begin as the new principal starting August 1, 2004.

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 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 District, reporting the District’s operations in more detail than the Government-wide statements.
- The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

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 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.

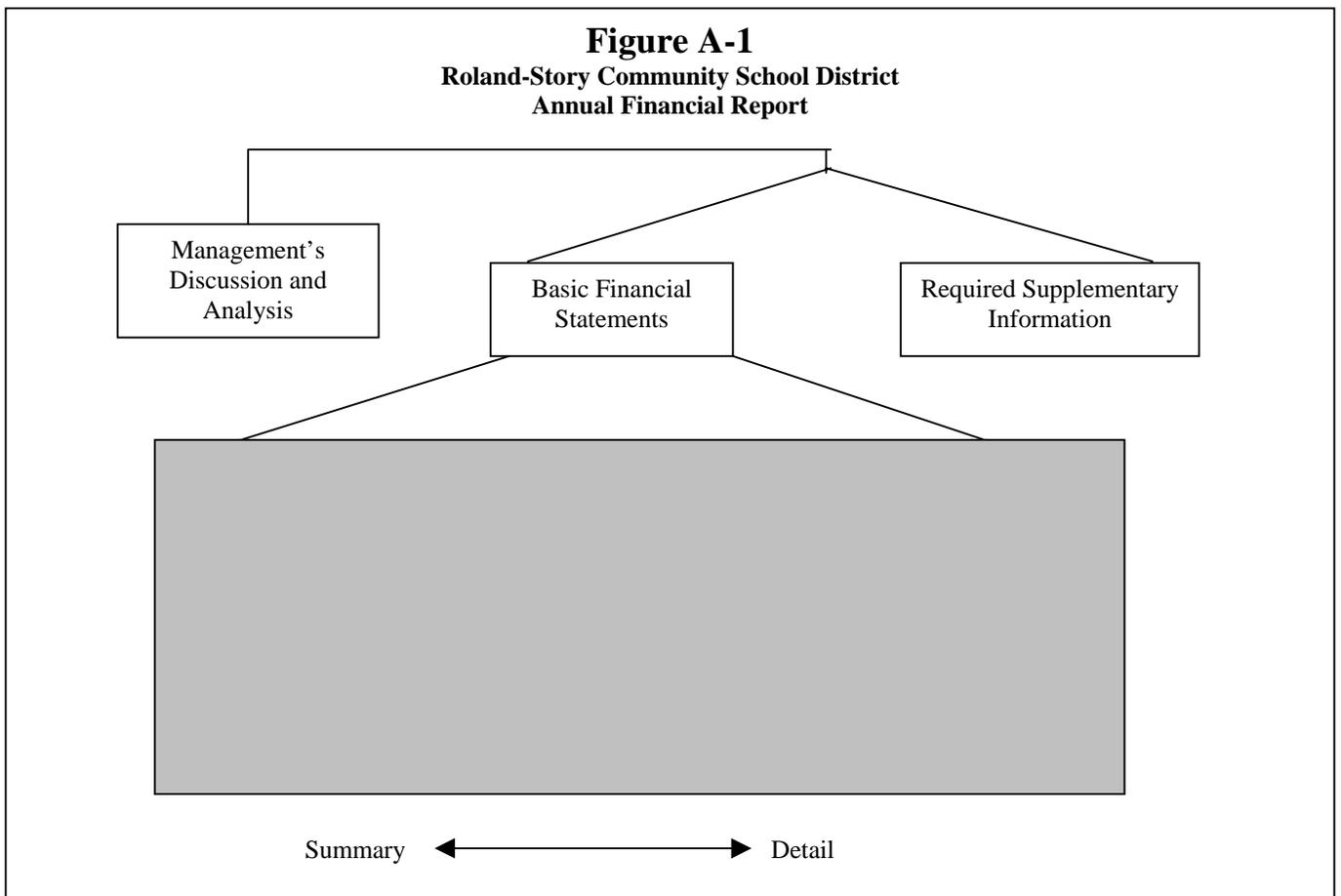


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents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

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements			
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of cash flows • Statement of revenues, expenses and changes in net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short term and long-term
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 and payable	All revenues and expenses during the year, regardless of when cash is received or paid

Government-Wide Statements

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

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

- Over time increases or decreases in the 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 District's activities are divided into two categories:

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

Fund Financial Statements

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

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

The District has two kinds of funds:

- *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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the 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 funds statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund; Special Revenue Funds; Debt Service Fund; and Capital Projects Fund.

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

Financial Analysis of the District as a Whole

Net Assets

The increase in net assets (see Figure A-3 below) is due to the District currently maintaining its asset levels while reducing its liabilities during a time of limited increase in allowable growth in state aid and a declining enrollment within the District. The District was able to maintain educational services by only making minor staffing changes. The School Infrastructure for Local Option Sales tax was adopted for Story County and Boone County in 2003-2004 this additional income allowed the District to use funds to call some notes early reducing the districts long-term and obligations and other liabilities. This additional funding allowed for updating to the HVAC system at the Elementary School.

Figure A-3

Condensed Statement of Net Assets (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$ 4,496	\$ 4,399	\$ (9)	\$ 6	\$ 4,487	\$ 4,405	\$ 82
Capital assets	7,084	6,860	16	13	7,100	6,873	227
Total assets	11,580	11,259	7	19	11,587	11,278	309
Long-term obligations	2,751	2,766	-	-	2,751	2,766	15
Other liabilities	2,885	3,103	8	7	2,893	3,110	217
Total liabilities	5,636	5,869	8	7	5,644	5,876	232
Net assets:							
Invested in capital assets, net of debt	4,404	3,789	16	13	4,420	3,802	618
Restricted	701	562	-	-	701	562	139
Unrestricted	839	1,039	(17)	(1)	822	1,038	(216)
Total net assets	\$ 5,944	\$ 5,390	\$ (1)	\$ 12	\$ 5,943	\$ 5,402	\$ 541

Changes in Net Assets

Fiscal Year 2003-2004 marks the initial District implementation of the GASB 34 financial reporting model. As a result, prior year comparisons are not available but will be provided in all subsequent years. Figure A-4 below reflects only totals from the current fiscal year ending June 30, 2004.

Figure A-4
Changes in Net Assets from Operating Results

	Governmental Activities <u>2004</u>	Business-type Activities <u>2004</u>	Total School District <u>2004</u>
Revenues			
Program Revenues			
Charges for Services	\$ 760,574	\$ 257,284	\$ 1,017,858
Operating Grants & Contributions	705,876	103,033	808,909
Capital Grants & Contributions	-	-	-
General Revenues			
Property Taxes and Local Option Sales Taxes	3,526,526	-	3,526,526
Unrestricted State Grants	3,685,534	-	3,685,534
Unrestricted Investment Earnings	24,420	114	24,534
Other	3,656	-	3,656
Total Revenues	\$ 8,706,586	\$ 360,431	\$ 9,067,017
Program Expenses			
Governmental Activities:			
Instruction	5,608,965	-	5,608,965
Support Services	1,835,751	-	1,835,751
Non-Instructional Programs	-	380,145	380,145
Other Expenses	701,653	-	701,653
Total Expenses	\$ 8,146,369	\$ 380,145	\$ 8,526,514
Transfers	\$ (6,583)	\$ 6,583	\$ 0
Change in Net Assets	\$ 553,634	\$ (13,131)	\$ 540,503

Governmental Activities

Referring to Figure A-4, revenues for the District's governmental activities were \$8.7 million for fiscal year 2004. Total governmental expenditures were \$8.1 million. In a difficult budget year, the District did a remarkable job trimming expenses to match available revenues.

The strength of the local economy was clearly evident as the District experienced an increase in the overall property tax base. Taxable valuation rose from \$225 million to \$239 million from the prior fiscal year, the overall District tax rate decreased from \$16.39226 to \$14.14782 primarily due to the Board's commitment to use a portion of the one-cent sales tax money to reduce bonded indebtedness.

Figure A-5 presents the cost of the District's major governmental activities: instruction, support services, non-instruction programs and other expenses. The table shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-5**Net Cost of Governmental Activities (in thousands of dollars)**

	Total Cost of Services 2004	Net Cost of Services 2004
	<u>2004</u>	<u>2004</u>
Instruction	\$ 5,609	\$ 4,438
Support Services	1,836	1,831
Non-instructional Programs	0	0
Other Expenses	702	410
	<u>8,146</u>	<u>6,680</u>
	<u>\$</u>	<u>\$</u>

Note: Totals may not add due to rounding

As with Figure A-4, a two-year comparison with the prior fiscal year is not possible under the new GASB 34 format. In the future a two-year comparison will be provided.

- The cost of all governmental activities this year was \$8.1 million.
- Some of the cost was financed by the users of the District's programs (\$.8 million).
- The federal and state governments and private contributors subsidized certain programs with grants and contributions (\$.7 million).
- Most of the District's costs (\$6.6 million), however, were financed by district and state taxpayers.
- This portion of governmental activities was financed with \$2.3 million in property taxes, \$.6 million in local option sales and service tax, and \$3.7 million in unrestricted state aid (based in large part on the statewide education aid formula), investment earnings and miscellaneous revenues.

Business-Type Activities

The District's business type activities revenues and expenses were close to breaking even. Expenses exceeded revenue by \$19,714. (refer to Figure A-4.) The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income. The Board of Education made the decision not to increase school meal prices for fiscal year 2004 and to evaluate mid-year of fiscal year 2005 how the program was doing. This decision was based on the implementation of an expanded ala-carte program at the high school level in fiscal year 2004.

Financial Analysis of the District's Funds

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

Although the District has had a trying time with declining enrollment and reductions in state aide, financial stability of the district has remained constant and is reflected in its governmental funds. As the District completed the year its governmental funds reported combined fund balances of \$1,620,718 which was slightly less than last year's ending fund balances of \$1,643,784. This slight decrease in fund balance does not pose any threat to the districts overall financial stability.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,130,214 at the beginning of the year to \$899,062.
- The Management Fund balance increased \$50,836. This increase can be based on fewer early retirements than budgeted. The District in prior years has worked on improving this fund balance, so that at least \$100,000 would be available for early retirement compensation if needed in any given year.
- This was the first year for the Local-Option Sales and Services Tax and because the District is still in the planning stages of the competition gym [the Capital Projects Fund](#) had an ending fund balance of \$121,517.

Proprietary Fund Highlights

The School Nutrition Fund, as previously stated, is the District's only fund categorized as a Proprietary Fund. The Nutrition Fund balance began the year as \$12,329 and ended the year at \$(802). This deficit of \$13,131, before capital contributions, can be contributed to the decision by the District not to increase meal prices and to see if the expanded ala-carte program will help increase the revenues sufficiently.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on the cash basis. A schedule showing the original budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, a budget for the General Fund is not presented in the budgetary comparison on pages 38 and 39.

The District did not amend the certified budget for this fiscal year and did overspend in the “other expenditures” category \$260,849. This was due to a last minute decision by the Board to pay off a short-term note in an effort to increase the borrowing capacity for the Sales Tax Revenue Bonds, which were to be issued later in the summer. Although the district did overspend the budget in this one category, overall the district did keep actual expenses well within those that were indicated on the certified budget. Actual revenues for State sources was \$803,272 less than budgeted, this is due in part to the decrease in anticipated state foundation aide. Overall total revenues only decreased slightly from those budgeted through the certified budget for a decrease of \$177,191.

Capital Asset and Debt Administration

By the end of fiscal 2004, the District had invested 7,100,383, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers, buses, and equipment. (See Figure A-6) This amount represents a net increase of 3.20% from last year. Depreciation expense for the year was \$232,450 for governmental activities. Governmental funds account for \$9.7 million in capital assets prior to depreciation. [More detailed information about capital assets is included in Note 5 to the financial statements.](#)

Figure A-6

Capital Assets (net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2003	2004	2003	2004	2003	2004	2003-2004
	Land	243,212	243,212	-0-	-0-	243,212	243,212
Buildings	6,331,916	6,533,609	-0-	-0-	6,331,916	6,533,609	3.19%
Improvements other than bldgs.	204,823	190,440	-0-	-0-	204,823	190,440	(7.02%)
Furniture & Equipment	80,421	116,845	12,790	16,277	93,211	133,122	42.82%
Total	\$6,860,372	\$7,084,106	\$12,790	\$16,277	\$6,873,162	\$7,100,393	3.31

Figure A-7

Outstanding Long-Term debt (in thousands of dollars)

	Total School District		Total Percentage Change
	2003	2004	2003-2004
	General Obligation Bonds	\$ 2,635	\$ 2,215
Local Option Sales and Services Tax revenue bond anticipation notes	0	150	N/A
Capital loan notes	410	315	(23.17%)
Capital Leases	27	0	100%
Early Retirement	31	71	129.03%
Total	\$ 3,103	\$ 2,751	(11.34%)

Long-Term Debt

At year-end, the District had \$2,751,394 in general obligation debt and other long-term debt outstanding. This represents a decrease of 11.34% from last year. (See Figure A-7)

In September 2003, the District issued \$350,000 of Local Option Sales and Services Tax Revenue Bond Anticipation Notes to be used for upgrading the HVAC system at the elementary school. The District then paid in June \$200,000 on these notes with the remaining \$150,000 to be repaid within the next fiscal year.

Early retirement obligations increased this year due to Mr. VanWinkle and Mr. Pohlman both applying for early retirement to the board. Eligible employees must be between the ages of fifty-five and sixty-two and must have completed fifteen years of service to the District. Early retirement incentives are based on 45% of the current base salary. The District's Board Policy allows for up to \$100,000 each year in early retirement incentives.

This was the final year for the capital lease on technology equipment that was purchased in 2001. Since the state no longer provides technology funding for these types of purchases, the district will be funding future purchases of technology equipment through the Instructional Support Levy.

Factors Bearing on the District's Future

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

- District enrollment declined in fiscal year 2004 by 29 students, or 2.6% of the enrollment of 1,114 students in fiscal year 2003. District funding is highly dependent upon district enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- Factors such as district enrollment, future budget growth, and community support will all be important as the District's Board of Education makes decision on how to spend the district's funds in the future using the Instructional Support Levy and the Local Option Tax revenues. The District will begin collecting the income surtax for the Instructional Support Levy beginning July 1, 2005.
- The District has a one-year contract with the Roland-Story Education Association (RSEA) which included an overall increase in salary and benefits for certified teaching staff of 3.31% for fiscal year 2005. Staff represented by RSEA makeup \$4,281,468 in wages and benefits or 56% of all General Fund expenditures. Settlements with the RSEA have typically set the standard for agreements with other employees in the District. Settlements with employee groups that exceed the rate of growth in state funding will have an adverse impact upon the District's General Fund budget.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Candi Holm, Business Manager, Roland-Story Community School District, 1009 Story Street, Story City, Iowa 50248.

BASIC FINANCIAL STATEMENTS

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total	Roland-Story Community School District Foundation
	\$	\$	\$	\$
Assets				
Cash and investments	1,456,556	7,594	1,464,150	609,912
Receivables:				
Property tax:				
Delinquent	34,506	-	34,506	-
Succeeding year	2,792,643	-	2,792,643	-
Accounts	6,887	49	6,936	-
Interfund receivable (payable)	21,207	(21,207)	-	-
Due from other governments	183,855	1,179	185,034	-
Inventories	-	3,547	3,547	-
Capital assets, net of accumulated depreciation	7,084,106	16,277	7,100,383	
Total assets	11,579,760	7,439	11,587,199	609,912
Liabilities				
Accounts payable	53,897	-	53,897	-
Salaries and benefits payable	28,396	1,182	29,578	-
Accrued interest payable	9,838	-	9,838	-
Deferred revenue:				
Succeeding year property tax	2,792,643	-	2,792,643	
Other	-	7,059	7,059	
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	435,000	-	435,000	-
Revenue bond anticipation note	150,000	-	150,000	-
Capital loan notes	100,000	-	100,000	-
Early retirement	71,394	-	71,394	-
Portion due after one year:				
General obligation bonds payable	1,780,000	-	1,780,000	-
Capital loan notes	215,000	-	215,000	-
Total Liabilities	5,636,168	8,241	5,644,409	-

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total	Roland-Story Community School District Foundation
	\$	\$	\$	\$
Net assets				
Invested in capital assets, net of related debt	4,404,106	16,277	4,420,383	-
Restricted for:				
Scholarships and projects by donors	-	-	-	591,494
Phase III	21,610	-	21,610	-
Gifted and talented program	38,831	-	38,831	-
Management levy	133,599	-	133,599	-
Physical plant and equipment levy	83,711	-	83,711	-
Other special revenue purposes	152,619	-	152,619	-
Local option sales and services tax	121,517	-	121,517	-
Debt service	148,978	-	148,978	-
Unrestricted	838,621	(17,079)	821,542	18,418
Total net assets	<u>5,943,592</u>	<u>(802)</u>	<u>5,942,790</u>	<u>609,912</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	3,899,273	423,583	274,537	-
Special instruction	982,501	62,974	118,317	-
Other instruction	727,191	270,303	20,899	-
	<u>5,608,965</u>	<u>756,860</u>	<u>413,753</u>	<u>-</u>
Support services:				
Student services	191,352	-	-	-
Instructional staff services	189,071	-	871	-
Administration services	725,332	-	-	-
Operation and maintenance of plant services	518,650	2,131	-	-
Transportation services	211,346	1,583	-	-
	<u>1,835,751</u>	<u>3,714</u>	<u>871</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	74,237	-	-	-
Long-term debt interest	144,712	-	3,498	-
AEA flowthrough	287,754	-	287,754	-
Depreciation (unallocated)*	194,950	-	-	-
	<u>701,653</u>	<u>-</u>	<u>291,252</u>	<u>-</u>
Total governmental activities	8,146,369	760,574	705,876	-
Business type activities				
Non-instructional programs:				
Food service operations	380,145	257,284	103,033	-
Total primary government	8,526,514	1,017,858	808,909	-
Component Units				
Roland-Story Community School District Foundation	23,124	938	41,636	-
Total	<u>8,549,638</u>	<u>1,018,796</u>	<u>850,545</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

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 expense of the various programs.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

<u>Net (Expense) Revenue and Changes in Net Assets</u>			
<u>Primary Government</u>			
<u>Governmental</u>	<u>Business</u>		<u>Component</u>
<u>Activities</u>	<u>Type</u>	<u>Total</u>	<u>Unit</u>
	<u>Activities</u>		
(3,201,153)	-	(3,201,153)	-
(801,210)	-	(801,210)	-
(435,989)	-	(435,989)	-
<u>(4,438,352)</u>	<u>-</u>	<u>(4,438,352)</u>	<u>-</u>
(191,352)	-	(191,352)	-
(188,200)	-	(188,200)	-
(725,332)	-	(725,332)	-
(516,519)	-	(516,519)	-
(209,763)	-	(209,763)	-
<u>(1,831,166)</u>	<u>-</u>	<u>(1,831,166)</u>	<u>-</u>
(74,237)	-	(74,237)	-
(141,214)	-	(141,214)	-
-	-	-	-
(194,950)	-	(194,950)	-
(410,401)	-	(410,401)	-
<u>(6,679,919)</u>	<u>-</u>	<u>(6,679,919)</u>	<u>-</u>
-	(19,828)	(19,828)	-
(6,679,919)	(19,828)	(6,699,747)	-
-	-	-	19,450
<u>(6,679,919)</u>	<u>(19,828)</u>	<u>(6,699,747)</u>	<u>19,450</u>
2,355,274	-	2,355,274	-
234,482	-	234,482	-
239,313	-	239,313	-
697,457	-	697,457	-
3,685,534	-	3,685,534	-
24,420	114	24,534	-
3,656	-	3,656	-
7,240,136	114	7,240,250	-
(6,583)	6,583	-	-
<u>7,233,553</u>	<u>6,697</u>	<u>7,240,250</u>	<u>-</u>
553,634	(13,131)	540,503	19,450
<u>5,389,958</u>	<u>12,329</u>	<u>5,402,287</u>	<u>590,462</u>
<u>5,943,592</u>	<u>(802)</u>	<u>5,942,790</u>	<u>609,912</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
	\$	\$	\$
Assets			
Cash and pooled investments	848,919	607,637	1,456,556
Receivables:			
Property tax:			
Delinquent	27,064	7,442	34,506
Succeeding year	2,190,110	602,533	2,792,643
Accounts	1,887	5,000	6,887
Interfund receivable	21,207	-	21,207
Due from other governments	<u>65,632</u>	<u>118,223</u>	<u>183,855</u>
Total assets	<u><u>3,154,819</u></u>	<u><u>1,340,835</u></u>	<u><u>4,495,654</u></u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	37,596	16,301	53,897
Salaries and benefits payable	28,051	345	28,396
Deferred revenue:			
Succeeding year property tax	<u>2,190,110</u>	<u>602,533</u>	<u>2,792,643</u>
Total liabilities	<u><u>2,255,757</u></u>	<u><u>619,179</u></u>	<u><u>2,874,936</u></u>
Fund balances:			
Reserved for:			
Phase III	21,610	-	21,610
Gifted and talented program	38,831	-	38,831
Debt service	-	158,816	158,816
Unreserved	<u>838,621</u>	<u>562,840</u>	<u>1,401,461</u>
Total fund balances	<u><u>899,062</u></u>	<u><u>721,656</u></u>	<u><u>1,620,718</u></u>
Total liabilities and fund balances	<u><u>3,154,819</u></u>	<u><u>1,340,835</u></u>	<u><u>4,495,654</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Balance Sheet-Governmental Funds
 to the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (Exhibit C)	1,620,718
--	-----------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,084,106
--	-----------

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	(9,838)
---	---------

Long-term liabilities, including bonds payable, revenue bond anticipation notes, capital loan notes 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>(2,751,394)</u>
--	--------------------

Net assets of governmental activities (Exhibit A)	<u><u>5,943,592</u></u>
--	-------------------------

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	General Fund	Nonmajor Governmental Funds
	\$	\$
Revenues:		
Local sources:		
Local tax	2,204,532	1,325,650
Tuition	399,886	-
Other	105,164	283,442
State sources	4,258,205	-
Federal sources	129,707	-
Total revenues	<u>7,097,494</u>	<u>1,609,092</u>
Expenditures:		
Current:		
Instruction:		
Regular instruction	3,845,397	53,876
Special instruction	982,501	-
Other instruction	482,705	257,771
	<u>5,310,603</u>	<u>311,647</u>
Support services:		
Student services	191,352	-
Instructional staff services	189,071	-
Administration services	683,386	1,433
Operation and maintenance of plant services	461,782	61,866
Transportation services	175,330	54,157
	<u>1,700,921</u>	<u>117,456</u>
Non-instructional programs	-	6,583
Other expenditures:		
Facilities acquisition	-	456,497
Long-term debt:		
Principal	-	741,857
Interest and fiscal charges	-	146,334
AEA flowthrough	287,754	-
	<u>287,754</u>	<u>1,344,688</u>
Total expenditures	<u>7,299,278</u>	<u>1,780,374</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(201,784)</u>	<u>(171,282)</u>
Other financing sources (uses):		
Proceeds from long-term loans	-	350,000
Operating transfers in	-	652,216
Operating transfers out	(29,368)	(622,848)
Total other financing sources (uses)	<u>(29,368)</u>	<u>379,368</u>
Net change in fund balances	(231,152)	208,086
Fund balances beginning of year, as restated	<u>1,130,214</u>	<u>513,570</u>
Fund balances end of year	<u>899,062</u>	<u>721,656</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	<u>Total</u>
	\$
Revenues:	
Local sources:	
Local tax	3,530,182
Tuition	399,886
Other	388,606
State sources	4,258,205
Federal sources	129,707
Total revenues	<u>8,706,586</u>
Expenditures:	
Current:	
Instruction:	
Regular instruction	3,899,273
Special instruction	982,501
Other instruction	740,476
	<u>5,622,250</u>
Support services:	
Student services	191,352
Instructional staff services	189,071
Administration services	684,819
Operation and maintenance of plant services	523,648
Transportation services	229,487
	<u>1,818,377</u>
Non-instructional programs	<u>6,583</u>
Other expenditures:	
Facilities acquisition	456,497
Long-term debt:	
Principal	741,857
Interest and fiscal charges	146,334
AEA flowthrough	287,754
	<u>1,632,442</u>
Total expenditures	<u>9,079,652</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(373,066)</u>
Other financing sources (uses):	
Proceeds from long-term loans	350,000
Operating transfers in	652,216
Operating transfers out	(652,216)
Total other financing sources (uses)	<u>350,000</u>
Net change in fund balances	(23,066)
Fund balances beginning of year, as restated	<u>1,643,784</u>
Fund balances end of year	<u><u>1,620,718</u></u>

ROLAND-STORY 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

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(23,066)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are 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	456,184	
Depreciation expense	<u>(232,450)</u>	223,734

Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	741,857
---	---------

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.	1,622
---	-------

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

Early retirement	(40,513)
------------------	----------

Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.	<u>(350,000)</u>
---	------------------

Changes in net assets of governmental activities (Exhibit B)	<u><u>553,634</u></u>
---	-----------------------

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	7,594
Accounts receivable	49
Due from other governments	1,179
Inventories	3,547
Capital assets, net of accumulated depreciation	<u>16,277</u>
Total assets	<u>28,646</u>
Liabilities	
Salaries and benefits payable	1,182
Interfund payable	21,207
Deferred revenue	<u>7,059</u>
Total Liabilities	<u>29,448</u>
Net assets	
Invested in capital assets, net of related debt	16,277
Unrestricted	<u>(17,079)</u>
Total net assets	<u><u>(802)</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Nonmajor School Nutrition <u> </u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>257,284</u>
Operating expenses:	
Non-instructional programs:	
Salaries	144,240
Benefits	18,225
Purchased services	6,559
Supplies	206,036
Depreciation	5,030
Other	55
	<u>380,145</u>
Operating gain (loss)	<u>(122,861)</u>
Non-operating revenue:	
State sources	5,497
Federal sources	97,536
Interest income	114
Total non-operating revenue	<u>103,147</u>
Gain (loss) before capital contributions	(19,714)
Capital contributions	<u>6,583</u>
Change in net assets	(13,131)
Net assets beginning of year	<u>12,329</u>
Net assets end of year	<u><u>(802)</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2004

	Nonmajor School Nutrition <u> </u> \$
Cash flows form operating activities:	
Cash received from sale of lunches and breakfasts	257,933
Cash payments to employees for services	(161,857)
Cash payments to suppliers for goods or services	<u>(191,939)</u>
Net cash used by operating activities	<u>(95,863)</u>
Cash flows from non-capital financing activities:	
State grants received	5,497
Federal grants received	<u>77,135</u>
Net cash provided by non-capital financing activities	<u>82,632</u>
Cash flows from capital and related financing activities:	
Interfund loan	21,207
Acquisition of capital assets	<u>(1,934)</u>
Net cash used by capital and related financing activities	<u>19,273</u>
Cash flows from investing activities:	
Interest on investments	<u>114</u>
Net increase (decrease) in cash and cash equivalents	6,156
Cash and cash equivalents at beginning of year	<u>1,438</u>
Cash and cash equivalents at end of year	<u><u>7,594</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(122,861)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	19,222
Depreciation	5,030
Decrease (increase) in inventories	1,489
Decrease (increase) in accounts receivable	(49)
(Decrease) increase in salaries and benefits payable	608
(Decrease) increase in deferred revenue	<u>698</u>
Net cash used in operating activities	<u><u>(95,863)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30,2004, the District received \$19,222 of federal commodities.

During the year ended June 30, 2004the School Nutrition Fund received \$6,583of equipment that was purchasedby other funds.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

Roland-Story 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 Roland and Story City, Iowa and the predominately agricultural territory in a portion of Boone, Hamilton, Hardin and Story Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Roland-Story 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 Roland-Story Community School District Foundation has been included in the financial statements as a component unit

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 instructional, support and other costs.

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's component unit is the Roland-Story Community School District Foundation. The Foundation was established to maintain, develop, increase and extend the facilities and services of the Roland-Story Community School District, and to provide broader education service opportunities to its students, staff, faculty and the residents of the Roland-Story Community School District. The Foundation has a December 31, year-end. Foundation financial statements are shown in the Statement of Net Assets and the Statement of Activities in separate columns. As explained in the Independent Auditor's Opinion, the Foundation financial statements have not been audited.

C. Measurement Focus and Basis of Accounting

The government-wide, propriety 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	20,000
Improvements other than buildings	20,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (in Years)</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. During the year ended June 30, 2004, disbursements in the other expenditures function exceeded the amount budgeted.

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 no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

The Roland-Story Community School District Foundation investments at [June 30, 2004](#), are as follows:

<u>Type</u>	<u>Fair Value</u>
	\$
Stocks	10,591
Bonds	62,701
Mutual Funds	23,766

2. Interfund Receivables and Payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Proprietary: School Nutrition Fund	21,207

At June 30, 2004 the School Nutrition Fund owed the General Fund money for salaries and benefits that had been paid by the General Fund. The District expects to repay the loan during the next year.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, [2004](#) is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
		\$
Debt Service Fund	Special Revenue: Physical Plant and Equipment Levy Fund	117,145
Debt Service Fund	Capital Projects Fund	505,703
Debt Service Fund	General Fund	29,368

These transfers moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Capital Assets

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

	Balance Beginning of Year as restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	243,212	-	-	243,212
Capital assets being depreciated:				
Buildings	8,072,672	382,260	-	8,454,932
Improvements other than buildings	287,651	-	-	287,651
Furniture and equipment	662,078	73,924	26,364	709,638
Total capital assets being deprec.	<u>9,022,401</u>	<u>456,184</u>	<u>26,364</u>	<u>9,452,221</u>
Less accumulated depreciation for:				
Buildings	1,740,756	180,567	-	1,921,323
Improvements other than buildings	82,828	14,383	-	97,211
Furniture and equipment	581,657	37,500	26,364	592,793
Total accumulated depreciation	<u>2,405,241</u>	<u>232,450</u>	<u>26,364</u>	<u>2,611,327</u>
Total capital assets being depreciated, net	<u>6,617,160</u>	<u>223,734</u>	-	<u>6,840,894</u>
Governmental activities capital assets, net	<u>6,860,372</u>	<u>223,734</u>	-	<u>7,084,106</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	54,845	8,517	-	63,362
Less accumulated depreciation	42,055	5,030	-	47,085
Business type activities capital assets, net	<u>12,790</u>	<u>3,487</u>	-	<u>16,277</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Other	2,214
Support Services:	
Operation and maintenance of plant services	1,250
Transportation	34,036
	<u>37,500</u>
Unallocated depreciation	<u>194,950</u>
Total depreciation expense – governmental activities	<u>232,450</u>
Business type activities:	
Food services	<u>5,030</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
	\$	\$	\$	\$	\$
General obligation bonds	2,635,000	-	420,000	2,215,000	435,000
Local option sales and services					
Tax revenue bond anticipation notes	-	350,000	200,000	150,000	150,000
Capital loan notes	410,000	-	95,000	315,000	100,000
Capital leases	26,857	-	26,857	-	-
Early retirement	30,881	70,401	29,888	71,394	71,394
	<u>3,102,738</u>	<u>420,401</u>	<u>771,745</u>	<u>2,751,394</u>	<u>756,394</u>
Total					

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be between the ages of **fifty-five and sixty-two** and must have completed **fifteen** years of service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on **45% of the current base salary**. Early retirement expenditures for the year ended June 30, 2004 totaled **\$29,888**

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Bond Issue of May, 1998</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2005	4.30	435,000	97,825	532,825
2006	4.35	455,000	79,120	534,120
2007	4.40	475,000	59,328	534,328
2008	4.50	495,000	38,428	533,428
2009	4.55	355,000	16,153	371,153
		<u>2,215,000</u>	<u>290,854</u>	<u>2,505,854</u>

Capital Loan Notes

The District issued \$[665,000](#) of capital loan notes during the year ended [June 30, 2000](#). These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2005	5.30	100,000	16,858	116,858
2006	5.35	105,000	11,557	116,557
2007	5.40	110,000	5,940	115,940
		<u>315,000</u>	<u>34,355</u>	<u>349,355</u>

During the year ended June 30, [2004](#) the District made principal and interest payments totaling \$[116,845](#) under the note agreements.

Local Option Sales and Services Tax Revenue Bond Anticipation Note

In September [2003](#) the District issued \$[350,000](#) of local option sales and services tax revenue bond anticipation notes. The note proceeds were used to install a heating and air conditioning system in the elementary building. The notes bear interest at [2.25%](#) and are due [June 1, 2005](#). The notes will be repaid with proceeds from the local option sales and services tax. The District has repaid \$[200,000](#) on the notes prior to the due date.

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 \$308,612, \$301,005, and \$296,993 respectively, equal to the required contributions for each year.

8. Risk Management

[Roland-Story](#) 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 \$154,673.

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.

[Roland-Story](#) 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 \$287,754 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. Subsequent Events

The District issued \$4,100,000 of local option sales and services tax revenue bonds in September 2004. The bonds will be paid from the local option sales tax proceeds.

11. 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 for the 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 separated 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	Nonmajor	
	\$	\$	\$
Net assets, June 30, 2003, as previously reported	1,130,214	490,030	1,620,244
GASB Interpretation 6 adjustments	-	23,540	23,540
Net assets, July 1, 2003, as restated for governmental funds	<u>1,130,214</u>	<u>513,570</u>	1,643,784
GASB 34 adjustments:			
Capital assets net of accumulated depreciation of 2,405,241			6,860,372
Long-term liabilities:			
Bonds		2,635,000	
Capital loan notes		410,000	
Capital leases		26,857	
Early retirement		30,881	(3,102,738)
Accrued interest payable			<u>(11,460)</u>
Net assets, July 1, 2003, as restated			<u>5,389,958</u>

12. Deficit Financial Position

The Enterprise School Nutrition fund has a deficit unrestricted net assets of \$17,079 at June 30, 2004.

REQUIRED SUPPLEMENTARY INFORMATION

ROLAND-STORY 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	4,169,790	258,047	4,427,837	3,826,934	3,826,934	600,903
State sources	4,268,573	5,497	4,274,070	5,077,342	5,077,342	(803,272)
Federal sources	171,821	96,357	268,178	243,000	243,000	25,178
Total receipts	<u>8,610,184</u>	<u>359,901</u>	<u>8,970,085</u>	<u>9,147,276</u>	<u>9,147,276</u>	<u>(177,191)</u>
Disbursements:						
Instruction	5,675,177	-	5,675,177	6,060,000	6,060,000	384,823
Support services	1,785,879	-	1,785,879	1,976,500	1,976,500	190,621
Non-instructional programs	6,583	374,952	381,535	390,000	390,000	8,465
Other expenditures	1,621,778	-	1,621,778	1,360,929	1,360,929	(260,849)
Total disbursements	<u>9,089,417</u>	<u>374,952</u>	<u>9,464,369</u>	<u>9,787,429</u>	<u>9,787,429</u>	<u>323,060</u>
Excess (deficiency) of receipts over (under) disbursements	(479,233)	(15,051)	(494,284)	(640,153)	(640,153)	145,869
Other financing sources (uses) net	<u>328,793</u>	<u>21,207</u>	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>350,000</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(150,440)	6,156	(144,284)	(640,153)	(640,153)	495,869
Balance beginning of year	<u>1,606,996</u>	<u>1,438</u>	<u>1,608,434</u>	<u>1,220,625</u>	<u>1,220,625</u>	<u>387,809</u>
Balance end of year	<u><u>1,456,556</u></u>	<u><u>7,594</u></u>	<u><u>1,464,150</u></u>	<u><u>580,472</u></u>	<u><u>580,472</u></u>	<u><u>883,678</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	8,610,184	96,402	8,706,586
Expenditures	9,089,417	(9,765)	9,079,652
Net	(479,233)	106,167	(373,066)
Other financing sources (uses) net	328,793	21,207	350,000
Beginning fund balances	1,606,996	36,788	1,643,784
Ending fund balances	<u>1,456,556</u>	<u>164,162</u>	<u>1,620,718</u>

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
\$	\$	\$	
Revenues	359,901	530	360,431
Expenditures	374,952	5,193	380,145
Net	(15,051)	(4,663)	(19,714)
Other financing sources (uses) net	21,207	(14,624)	6,583
Beginning fund balances	1,438	10,891	12,329
Ending fund balances	<u>7,594</u>	<u>(8,396)</u>	<u>(802)</u>

ROLAND-STORY 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 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. [The District did not amend its budget during fiscal year 2004.](#)

During the year ended June 30, [2004](#), disbursements in the [other expenditures](#) function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds			Capital Projects Funds	Debt Service	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales Tax		
	\$	\$	\$	\$	\$	\$
Cash and pooled investments	203,094	153,601	80,922	13,958	156,062	607,637
Receivables:						
Property tax:	-	-	-	-	-	-
Delinquent	1,899	-	2,789	-	2,754	7,442
Succeeding year	100,000	-	219,708	-	282,825	602,533
Accounts	-	5,000	-	-	-	5,000
Due from other governments	-	-	-	118,223	-	118,223
Total assets	304,993	158,601	303,419	132,181	441,641	1,340,835
Liabilities & Fund Balances						
Liabilities:						
Accounts payable	-	5,637	-	10,664	-	16,301
Salaries and benefits payable	-	345	-	-	-	345
Deferred revenue:						
Succeeding year property tax	100,000	-	219,708	-	282,825	602,533
Total liabilities	100,000	5,982	219,708	10,664	282,825	619,179
Fund balances:						
Reserved for debt service	-	-	-	-	158,816	158,816
Unreserved fund balance	204,993	152,619	83,711	121,517	-	562,840
Total fund balances	204,993	152,619	83,711	121,517	158,816	721,656
Total liabilities and fund balances	304,993	158,601	303,419	132,181	441,641	1,340,835

ROLAND-STORY 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 Funds		Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales Tax	Debt Service	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	153,885	-	239,571	697,457	234,737	1,325,650
Other	2,538	271,938	5	5,463	3,498	283,442
Total revenues	<u>156,423</u>	<u>271,938</u>	<u>239,576</u>	<u>702,920</u>	<u>238,235</u>	<u>1,609,092</u>
Expenditures:						
Current:						
Instruction:						
Regular instruction	40,308	-	13,568	-	-	53,876
Other instruction	-	257,771	-	-	-	257,771
Support services:						
Administration services	1,433	-	-	-	-	1,433
Operation and maintenance of plant services	61,866	-	-	-	-	61,866
Transportation services	1,980	-	52,177	-	-	54,157
Non-instructional programs	-	-	6,583	-	-	6,583
Other expenditures:						
Facilities acquisition	-	-	30,797	425,700	-	456,497
Long-term debt:						
Principal	-	-	-	-	741,857	741,857
Interest and fiscal charges	-	-	-	-	146,334	146,334
Total expenditures	<u>105,587</u>	<u>257,771</u>	<u>103,125</u>	<u>425,700</u>	<u>888,191</u>	<u>1,780,374</u>
Excess (deficiency) of revenues over (under) expenditures	<u>50,836</u>	<u>14,167</u>	<u>136,451</u>	<u>277,220</u>	<u>(649,956)</u>	<u>(171,282)</u>
Other financing sources (uses):						
Proceeds from bond anticipation notes	-	-	-	350,000	-	350,000
Operating transfers in	-	-	-	-	652,216	652,216
Operating transfers out	-	-	(117,145)	(505,703)	-	(622,848)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(117,145)</u>	<u>(155,703)</u>	<u>652,216</u>	<u>379,368</u>
Net change in fund balance	50,836	14,167	19,306	121,517	2,260	208,086
Fund balances beginning of year, as restated	<u>154,157</u>	<u>138,452</u>	<u>64,405</u>	<u>-</u>	<u>156,556</u>	<u>513,570</u>
Fund balances end of year	<u>204,993</u>	<u>152,619</u>	<u>83,711</u>	<u>121,517</u>	<u>158,816</u>	<u>721,656</u>

See accompanying independent auditor's report.

ROLAND-STORY 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	Balance End of Year
	\$	\$	\$	\$
General athletics	(3,347)	10,047	6,042	658
Interest	7,191	2,676	2,746	7,121
Gifts/RIF	17,461	2,950	2,016	18,395
<u>ELEMENTARY</u>				
Student council	7,576	9,459	9,380	7,655
OCA	1,310	862	696	1,476
Helping hands	444	-	82	362
Pencil project	322	-	-	322
S.N. penny drive	107	491	207	391
<u>MIDDLE SCHOOL</u>				
Vocal music	1,500	921	2,083	338
Instrumental music	1,363	3,767	4,161	969
Student council	5,844	9,962	9,348	6,458
<u>HIGH SCHOOL</u>				
Speech/drama/musical	9,056	5,394	4,649	9,801
Vocal music	14,818	3,103	1,248	16,673
Instrumental music	3,958	1,905	3,097	2,766
Music uniforms	6,083	26,823	31,031	1,875
Cross country	(50)	2,031	1,944	37
Boys basketball	4,362	10,848	7,791	7,419
Boys football	3,523	32,255	35,017	761
Boys baseball	(995)	13,271	12,487	(211)
Boys track	1,639	5,420	2,314	4,745
Boys golf	-	84	84	-
Wrestling	3,325	9,521	12,846	-
Girls basketball	2,042	5,784	4,402	3,424
Girls volleyball	1,536	15,321	7,640	9,217
Girls softball	526	10,765	17,033	(5,742)
Girls track	-	4,401	2,109	2,292
Special needs	346	-	-	346
FFA	5,182	32,011	29,622	7,571
FCCLA	1,853	1,830	2,316	1,367
Student council	-	1,755	(4,885)	6,640
Student senate	7,622	-	8,338	(716)
Honor Society	-	881	881	-
HOSA	2,430	3,769	3,590	2,609
Cheerleaders	-	2,249	2,249	-
TSA club	864	-	864	-

ROLAND-STORY 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	Balance End of Year
	\$	\$	\$	\$
Key club	2,906	894	1,712	2,088
Norse news	345	1,120	460	1,005
Student awards	19,566	2,229	963	20,832
Student resale	354	-	-	354
Pop fund	1,406	276	-	1,682
Acedemic letters	-	1,228	1,228	-
Concessions	3,018	26,936	21,540	8,414
Class of 2004	3,335	-	3,335	-
Class of 2005	(369)	8,699	5,105	3,225
	<u>138,452</u>	<u>271,938</u>	<u>257,771</u>	<u>152,619</u>
Total	<u>138,452</u>	<u>271,938</u>	<u>257,771</u>	<u>152,619</u>

ROLAND-STORY 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	3,530,182	3,109,561	2,937,690	2,816,417
Tuition	399,886	391,073	393,009	302,622
Other	388,606	340,882	336,161	377,262
Intermediate sources				
State sources	4,258,205	4,353,376	4,340,674	4,234,204
Federal sources	129,707	133,669	124,129	100,008
Total revenues	<u>8,706,586</u>	<u>8,328,561</u>	<u>8,131,663</u>	<u>7,830,513</u>
Expenditures:				
Instruction:				
Regular instruction	3,899,273	3,862,907	3,909,755	3,720,069
Special instruction	982,501	845,529	838,974	831,933
Other instruction	740,476	777,024	671,199	681,334
Support services:				
Student services	191,352	166,789	162,969	145,398
Instructional staff services	189,071	191,127	165,351	180,301
Administration services	684,819	640,429	653,782	605,404
Operation and maintenances of plant services	523,648	515,042	474,710	480,744
Transportation services	229,487	172,398	208,210	164,876
Non-instructional programs	6,583	231	217	222
Other expenditures:				
Facilities acquisition	456,497	20,409	1,003	477,111
Long-term debt:				
Principal	741,857	454,946	428,984	370,000
Interest and other charges	146,334	237,904	265,028	293,019
AEA flowthrough	287,754	306,623	306,748	308,598
Total expenditures	<u>9,079,652</u>	<u>8,191,358</u>	<u>8,086,930</u>	<u>8,259,009</u>

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

To the Board of Education of the
Roland-Story Community School District

We have audited the financial statements of the [Roland-Story](#) Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated [September 21, 2004](#). [We did not issue an opinion on the Roland-Story Community School District Foundation, which is included as a discretely presented component unit, because we were not engaged to, and did not audit the Foundation.](#) 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 [Roland-Story](#) 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 except for items [04-II-E](#) and [04-II-H](#).

Internal Control over Financial Reporting

In planning and performing our audit, we considered [Roland-Story](#) 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](#) and [04-I-B](#) 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 [Roland-Story](#) 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 [Roland-Story](#) 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

[September 21, 2004](#)

ROLAND-STORY 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 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 Supporting Documentation: We noted certain meal reimbursements to employees that were not supported by receipts.

Recommendation: All District payments should have detailed supporting documentation. The District should review its policies defining the circumstances for which meals will be reimbursed.

District Response: We will review our policies and make any necessary adjustments.

Conclusion: Response accepted.

ROLAND-STORY 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, exceeded the amount budgeted in the other expenditures function.

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

District Response: We exceeded the budget in the other expenditures area because we paid off a portion of the local option sales and services tax revenue bond anticipation notes in advance of the due date, prior to the end of the year. We will amend future budgets before expenses exceed the amount budgeted.

Conclusion: Response accepted.

04-II-C Questionable Disbursements: We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Elaine Tekippe, school board member	Member of board of directors of local bank	
Craig Anderson, school board member, is also owner of Anderson Meat and Grocery.	Food	2,312

The transactions with Anderson Meat and Grocery do not appear to be conflicts of interest because the amounts total less than \$2,500 as allowed by Iowa law. The Board should consult with its attorney before approving any transactions or contracts that could benefit the bank.

District Response: We will consult with our attorney before approving any banking matters.

Conclusion: Response accepted.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

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 which had not been approved by the Board were noted.

04-II-H Certified Enrollment: Eighteen students taking writing classes at a community college were omitted from the calculations for supplemental weighting on line 12 of the September 2003 certified enrollment.

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

District Response: We will contact these departments.

Conclusion: Response accepted.

04-II-I Deposits and Investments: 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 were noted.

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 Retention of Electronic Records: The District receives copies of the front of cancelled checks in the monthly bank statements. The District's bank maintains electronic copies of the front and back of each cancelled check. Chapter 554D.114 of the Code of Iowa allows the retention of checks in electronic format, however the electronic image must remain accessible to the District for later reference.

Recommendation: The District should determine how long the bank's electronic images will be readily accessible by the District. If the period of time is shorter than that specified by the District's record retention policy, the District should obtain printed copies of the backs of the cancelled checks.

District Response: We will discuss record retention with the bank.

Conclusion: Response accepted.

04-II-L Deficit Balances: The District's School Nutrition has a \$17,079 deficit unrestricted net assets at June 30, 2004.

Recommendation: The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

District Response: The District has not raised the prices charged for meals for several years. We are currently discussing the amount and timing of a price increase.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Conclusion: Response accepted.

04-II-M Signatures on checks: All District checks must have two signatures. We noted one School Nutrition Fund cancelled check that only had one signature.

Recommendation: The District should implement procedures to ensure that all checks are properly signed.

District Response: The omission of one signature from this check was an oversight.

Conclusion: Response accepted.