

ROCK VALLEY  
COMMUNITY SCHOOL DISTRICT

Rock Valley, Iowa

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Independent Auditor's Reports  
Basic Financial Statements and Supplemental Information  
Schedule of Findings

June 30, 2005

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

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ROCK VALLEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2005

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>BOARD OF EDUCATION</u> <u>(Before September 2004 Election)</u>		
Kevin Boeve	President	September 2004
Brian Nelson	Vice President	September 2005
Mary Pat Miller	Board Member	September 2005
Steven Van Den Top	Board Member	September 2006
Al Vermeer	Board Member	September 2006

BOARD OF EDUCATION  
(After September 2004 Election)

Kevin Boeve	President	September 2007
Brian Nelson	Vice President	September 2005
Mary Pat Miller	Board Member	September 2005
Gary Miller	Board Member	September 2005
Al Vermeer	Board Member	September 2005

SCHOOL OFFICIALS

Dennis Mozer	Superintendent	June 30, 2005
Randy Taylor	Board Secretary	June 30, 2005
Maureen McGill Hoogeveen	Attorney	Indefinite



KING, REINSCH, PROSSER & CO., L.L.P.  
Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Rock Valley 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 Rock Valley Community School District (the District), Rock Valley, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 the District at June 30, 2005 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



KING, REINSCH, PROSSER & CO., L.L.P.  
Certified Public Accountants

To the Board of Education of  
Rock Valley Community School District

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 32 through 34 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 the 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, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary 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.

*King, Reinsch, Prosser & Co., L.L.P.*

October 3, 2005  
Sioux City, Iowa

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Rock Valley Community School District (the District) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2005 Financial Highlights**

- General Fund revenues increased from \$4,117,078 in fiscal 2004 to \$4,448,013 in fiscal 2005, while General Fund expenditures increased from \$4,371,370 in fiscal 2004 to \$4,561,325 in fiscal 2005. The District's General Fund balance decreased from \$1,017,963 in fiscal 2004 to \$889,651 in fiscal 2005, a 13 percent decrease.
- The increase in General Fund revenues was primarily attributable to higher state and federal grant money during the current year. Also, the District experienced an increase in open enrollment students which contributed to the increase in revenues. The increase in expenditures was due primarily to increased negotiated salaries and benefits and capital purchases. These factors combined to lower the General Fund balance.

### **Using This Annual Report**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-Wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

## **Reporting the District's Financial Activities**

*Government-Wide Financial Statements* - The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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 financial 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 financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

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

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

The District has two kinds of funds.

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

The District's governmental funds include the General Fund, Management Levy, Physical Plant and Equipment Levy (PPEL) Fund, Student Activity, Debt Service and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

### **Government-Wide Financial Analysis**

Figure A-1 below provides a summary of the District's net assets at June 30, 2005 and 2004.

Figure A-1  
Condensed Statement of Net Assets (In Thousands)

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 4,529	\$ 4,181	\$ 124	\$ 145	\$ 4,653	\$ 4,326
Capital assets, net	<u>2,156</u>	<u>2,035</u>	<u>42</u>	<u>26</u>	<u>2,198</u>	<u>2,061</u>
Total assets	<u>\$ 6,685</u>	<u>\$ 6,216</u>	<u>\$ 166</u>	<u>\$ 171</u>	<u>\$ 6,851</u>	<u>\$ 6,387</u>
Long-term liabilities	\$ 91	\$ 65	\$ -	\$ -	\$ 91	\$ 65
Other liabilities	<u>1,817</u>	<u>1,768</u>	<u>3</u>	<u>4</u>	<u>1,820</u>	<u>1,772</u>
Total liabilities	<u>\$ 1,908</u>	<u>\$ 1,833</u>	<u>\$ 3</u>	<u>\$ 4</u>	<u>\$ 1,911</u>	<u>\$ 1,837</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 2,156	\$ 2,035	\$ 42	\$ 26	\$ 2,198	\$ 2,061
Restricted	1,732	1,330	-	-	1,732	1,330
Unrestricted	<u>889</u>	<u>1,018</u>	<u>121</u>	<u>141</u>	<u>1,010</u>	<u>1,159</u>
Total net assets	<u>\$ 4,777</u>	<u>\$ 4,383</u>	<u>\$ 163</u>	<u>\$ 167</u>	<u>\$ 4,940</u>	<u>\$ 4,550</u>

The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment). Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Figure A-2 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-2

Changes in Net Assets (In

Thousands)

	Governmental Activities		Business Type Activities		Total District	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 776	\$ 706	\$ 150	\$ 132	\$ 926	\$ 838
Operating grants, contributions and restricted interest	658	595	119	113	777	708
General revenues:						
Property tax	1,996	1,907	-	-	1,996	1,907
Unrestricted state grants	1,743	1,486	-	-	1,743	1,486
Unrestricted investment earnings	82	54	3	3	85	57
Other	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Total revenues	<u>\$ 5,256</u>	<u>\$ 4,749</u>	<u>\$ 272</u>	<u>\$ 248</u>	<u>\$ 5,528</u>	<u>\$ 4,997</u>
Program expenses:						
Instruction	\$ 3,421	\$ 3,214	\$ -	\$ -	\$ 3,421	\$ 3,214
Support services	1,263	1,209	-	-	1,263	1,209
Non-instructional programs	-	-	276	245	276	245
Other expenses	<u>178</u>	<u>179</u>	<u>-</u>	<u>-</u>	<u>178</u>	<u>179</u>
Total expenses	<u>\$ 4,862</u>	<u>\$ 4,602</u>	<u>\$ 276</u>	<u>\$ 245</u>	<u>\$ 5,138</u>	<u>\$ 4,847</u>
Change in net assets	<u>\$ 394</u>	<u>\$ 147</u>	<u>\$ (4)</u>	<u>\$ 3</u>	<u>\$ 390</u>	<u>\$ 150</u>

Property tax and unrestricted state grants account for 67.6 percent of the total revenue (67.9 percent in 2004). The District's expenses primarily relate to instruction and support services, which account for 91.2 percent of the total expenses (91.3 percent in 2004).

Governmental Activities - Revenues for governmental activities were \$5,256,262 and expenses were \$4,862,609.

The following table presents the total and net cost of the District's major governmental activities for the years ended June 30, 2005 and 2004.

Figure A-3 (In Thousands)  
Total and Net Cost of Governmental Activities

	2005		2004	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,421	\$ 2,235	\$ 3,214	\$ 2,159
Support services	1,263	1,193	1,209	1,139
Other expenses	178	-	179	2
Totals	<u>\$ 4,862</u>	<u>\$ 3,428</u>	<u>\$ 4,602</u>	<u>\$ 3,300</u>

- The cost financed by users of the District’s programs was \$775,841 (\$706,433 in 2004).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$658,345 (\$595,366 in 2004).
- The net cost of governmental activities was financed with \$1,995,560 in property and other taxes (\$1,906,606 in 2004) and \$1,743,356 in unrestricted state grants (\$1,485,975 in 2004).

*Business Type Activities* - Revenues for business type activities were \$272,202 (\$248,894 in 2004) and expenses were \$276,067 (\$245,406 in 2004). The District’s business type activities consist of the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**Governmental Fund Analysis**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,712,522, above last year’s ending fund balances of \$2,412,589. The District’s proprietary fund reported end of year net assets of \$162,786, below last year’s ending net assets of \$166,651.

*Governmental Fund Highlights*

The District’s General Fund maintains a strong financial position with \$889,651 in its fund balance. However, the General Fund balance decreased \$128,312 from last year due primarily to increased salaries, benefits and repairs and maintenance (such as to the heating and ventilation system).

The PPEL Fund balance increased \$99,467 during the year mainly because many of the repairs and maintenance expenditures were expended from the General Fund as discussed above.

The Capital Projects Fund was created in 2004 as the result of a Sioux County voter-approved one percent local sales and services tax for the period January 1, 2004 through December 31, 2013. The funds generated will be used for construction, repairs and/or remodeling of school property. The Capital Projects Fund Balance increased \$320,890 during the year which represents the difference between revenues and construction related expenditures during the year. Of the \$454,367 capital projects fund balance as of June 30, 2005, \$331,000 is designated for construction, repairs, and/or remodeling of school property with the remaining amount available for future needs.

### Proprietary Fund Highlights

Revenues for business type activities were \$272,202 and expenses were \$276,067. The District's business type activities included the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

### Budgetary Highlights

The District's actual receipts were \$13,149 less than budgeted receipts due primarily to over estimating revenues from state sources.

The District's actual disbursements were less than budget due primarily to management of General Fund spending through line-item budgeting.

The District does attempt to budget as closely as possible to what management believes actual receipts and expenditures will be. Ideally, management attempts to exceed all revenue budgets and under spend all expenditure budgets.

### Capital Assets and Debt Administration

Capital Assets - At June 30, 2005, the District had invested \$2,198,228, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$186,627.

The original cost of the District's capital assets was \$5,702,172. Governmental funds account for \$5,639,924, with the remainder of \$62,248 accounted for in the Proprietary, School Nutrition Fund.

Figure A-4 - Capital Assets,  
Net of Depreciation (In Thousands)

	<u>Governmental Activities</u>		<u>Business Type</u>		<u>Total District</u>	
			<u>Activities</u>			
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 53	\$ 38	\$ -	\$ -	\$ 53	\$ 38
Land improvements	199	160	-	-	199	160
Construction in progress	50	-	-	-	50	-
Buildings and improvements	1,245	1,247	-	-	1,245	1,247
Vehicles	255	249	-	-	255	249
Machinery and equipment	354	341	42	26	396	367
Totals	<u>\$ 2,156</u>	<u>\$ 2,035</u>	<u>\$ 42</u>	<u>\$ 26</u>	<u>\$ 2,198</u>	<u>\$ 2,061</u>

Long-Term Debt - At June 30, 2005, the District had \$91,350 early retirement payable. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

### **Economic Factors Bearing on the District's Future**

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

Effective October 5, 2005, the District issued \$6,950,000 General Obligation School Bonds for the purpose of the construction of a new elementary facility, library and reconstruction of existing junior/senior high school rooms to accommodate a middle school for grades 6-8. The bonds will be repaid over a period of 20 years using proceeds from local option sales tax and a debt service tax levy.

The District is also planning on using \$750,000 from the PPEL fund and \$331,000 from the Capital Projects Fund over the next several years to complete the project.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Randy Taylor, Board Secretary, Rock Valley Community School District, 1712 20th Avenue, Rock Valley, Iowa 51247.

## BASIC FINANCIAL STATEMENTS

## ROCK VALLEY COMMUNITY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,615,839	\$ 109,765	\$ 2,725,604
Receivables:			
Property tax:			
Current year	17,548	-	17,548
Succeeding year	1,557,317	-	1,557,317
Accounts	13,580	3,147	16,727
Accrued interest	24,324	1,043	25,367
Due from other governments	286,293	-	286,293
Inventories	14,173	9,542	23,715
Capital assets, net of accumulated depreciation	<u>2,155,804</u>	<u>42,424</u>	<u>2,198,228</u>
 Total assets	 <u>\$ 6,684,878</u>	 <u>\$ 165,921</u>	 <u>\$ 6,850,799</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 179,177	\$ -	179,177
Salaries and benefits payable	80,058	-	80,058
Deferred revenue - succeeding year property tax	1,557,317	-	1,557,317
Deferred revenue - other	-	3,135	3,135
Long-term liabilities:			
Early retirement - due within one year	20,504	-	20,504
Early retirement - due after one year	<u>70,846</u>	<u>-</u>	<u>70,846</u>
Total liabilities	<u>\$ 1,907,902</u>	<u>\$ 3,135</u>	<u>\$ 1,911,037</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 2,155,804	\$ 42,424	2,198,228
Restricted for:			
Management levy	403,186	-	403,186
Physical plant and equipment levy	710,704	-	710,704
Other special revenue purposes	163,264	-	163,264
Capital projects	454,367	-	454,367
Unrestricted	<u>889,651</u>	<u>120,362</u>	<u>1,010,013</u>
Total net assets	<u>\$ 4,776,976</u>	<u>\$ 162,786</u>	<u>\$ 4,939,762</u>
 Total liabilities and net assets	 <u>\$ 6,684,878</u>	 <u>\$ 165,921</u>	 <u>\$ 6,850,799</u>

See notes to financial statements.

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ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2005

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>
<b>FUNCTIONS/PROGRAMS:</b>			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,302,788	\$ 535,425	\$ 280,269
Special instruction	531,347	44,686	89,139
Other instruction	<u>587,349</u>	<u>195,730</u>	<u>40,873</u>
	<u>\$ 3,421,484</u>	<u>\$ 775,841</u>	<u>\$ 410,281</u>
Support services:			
Student services	\$ 114,084	\$ -	\$ -
Instructional staff services	78,126	-	-
Administration services	469,180	-	-
Operation and maintenance of plant services	423,138	-	-
Transportation services	<u>178,133</u>	<u>-</u>	<u>69,600</u>
	<u>\$ 1,262,661</u>	<u>\$ -</u>	<u>\$ 69,600</u>
Other expenditures:			
Facilities acquisition	\$ -	\$ -	\$ -
Lease obligation interest	-	-	-
AEA flow through	<u>178,464</u>	<u>-</u>	<u>178,464</u>
	<u>\$ 178,464</u>	<u>\$ -</u>	<u>\$ 178,464</u>
Total governmental activities	<u>\$ 4,862,609</u>	<u>\$ 775,841</u>	<u>\$ 658,345</u>
Business type activities:			
Non-instructional programs:			
Food service operations	\$ 276,067	\$ 150,101	\$ 118,991
Total business type activities	<u>\$ 276,067</u>	<u>\$ 150,101</u>	<u>\$ 118,991</u>
Total	<u>\$ 5,138,676</u>	<u>\$ 925,942</u>	<u>\$ 777,336</u>
<b>GENERAL REVENUES:</b>			
Property and other tax levied for:			
General purposes			
Capital projects (local option sales tax)			
Management levy			
Physical plant and equipment levy			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net assets			
Net assets beginning of year			
Net assets end of year			

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (1,487,094)	\$ -	\$ (1,487,094)
(397,522)	-	(397,522)
<u>(350,746)</u>	<u>-</u>	<u>(350,746)</u>
<u>\$ (2,235,362)</u>	<u>\$ -</u>	<u>\$ (2,235,362)</u>
\$ (114,084)	\$ -	\$ (114,084)
(78,126)	-	(78,126)
(469,180)	-	(469,180)
(423,138)	-	(423,138)
<u>(108,533)</u>	<u>-</u>	<u>(108,533)</u>
<u>\$ (1,193,061)</u>	<u>\$ -</u>	<u>\$ (1,193,061)</u>
\$ -	\$ -	\$ -
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (3,428,423)</u>	<u>\$ -</u>	<u>\$ (3,428,423)</u>
\$ -	\$ (6,975)	\$ (6,975)
<u>-</u>	<u>(6,975)</u>	<u>(6,975)</u>
<u>\$ (3,428,423)</u>	<u>\$ (6,975)</u>	<u>\$ (3,435,398)</u>
\$ 1,413,585	\$ -	\$ 1,413,585
363,514	-	363,514
70,077	-	70,077
148,384	-	148,384
1,743,356	-	1,743,356
81,822	3,110	84,932
<u>1,338</u>	<u>-</u>	<u>1,338</u>
<u>\$ 3,822,076</u>	<u>\$ 3,110</u>	<u>\$ 3,825,186</u>
\$ 393,653	\$ (3,865)	\$ 389,788
<u>4,383,323</u>	<u>166,651</u>	<u>4,549,974</u>
<u>\$ 4,776,976</u>	<u>\$ 162,786</u>	<u>\$ 4,939,762</u>

## ROCK VALLEY COMMUNITY SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2005

<u>ASSETS</u>	<u>General</u>	<u>Management Levy</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Cash and pooled investments	\$ 865,716	\$ 493,762	\$ 701,992	\$ 406,894	\$ 147,475	\$ 2,615,839
Receivables:						
Property tax:						
Current year	15,351	761	1,436	-	-	17,548
Succeeding year	1,414,402	-	142,915	-	-	1,557,317
Accounts	13,250	-	-	-	330	13,580
Accrued interest	15,726	-	7,252	-	1,346	24,324
Due from other governments	238,783	13	24	47,473	-	286,293
Inventory	-	-	-	-	14,173	14,173
 Total assets	 <u>\$ 2,563,228</u>	 <u>\$ 494,536</u>	 <u>\$ 853,619</u>	 <u>\$ 454,367</u>	 <u>\$ 163,324</u>	 <u>\$ 4,529,074</u>
 <u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 179,117	\$ -	\$ -	\$ -	\$ 60	\$ 179,177
Salaries and benefits payable	80,058	-	-	-	-	80,058
Deferred revenue:						
Succeeding year property tax	1,414,402	-	142,915	-	-	1,557,317
Total liabilities	<u>\$ 1,673,577</u>	<u>\$ -</u>	<u>\$ 142,915</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 1,816,552</u>
 Fund balances:						
Unreserved	<u>\$ 889,651</u>	<u>\$ 494,536</u>	<u>\$ 710,704</u>	<u>\$ 454,367</u>	<u>\$ 163,264</u>	<u>\$ 2,712,522</u>
Total fund balances	<u>\$ 889,651</u>	<u>\$ 494,536</u>	<u>\$ 710,704</u>	<u>\$ 454,367</u>	<u>\$ 163,264</u>	<u>\$ 2,712,522</u>
 Total liabilities and fund balances	 <u>\$ 2,563,228</u>	 <u>\$ 494,536</u>	 <u>\$ 853,619</u>	 <u>\$ 454,367</u>	 <u>\$ 163,324</u>	 <u>\$ 4,529,074</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET ASSETS

JUNE 30, 2005

Total fund balances of governmental funds	\$ 2,712,522
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.	2,155,804
Long-term liabilities, including early-retirement, are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(91,350)</u>
Net assets of governmental activities	<u>\$ 4,776,976</u>

## ROCK VALLEY COMMUNITY SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

## GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2005

	General	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Special Revenue	Total
<b>Revenues:</b>						
Local sources:						
Local tax	\$ 1,413,585	\$ 70,077	\$ 148,384	\$ 363,514	\$ -	\$ 1,995,560
Tuition	474,848	-	-	-	-	474,848
Other	157,754	-	26,568	-	199,533	383,855
State sources	2,177,493	58	115	-	-	2,177,666
Federal sources	224,333	-	-	-	-	224,333
Total revenues	\$ 4,448,013	\$ 70,135	\$ 175,067	\$ 363,514	\$ 199,533	\$ 5,256,262
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular instruction	\$ 2,198,660	\$ 39,943	\$ -	\$ -	\$ -	\$ 2,238,603
Special instruction	517,314	-	-	-	-	517,314
Other instruction	374,657	-	-	-	199,625	574,282
	\$ 3,090,631	\$ 39,943	\$ -	\$ -	\$ 199,625	\$ 3,330,199
Support services:						
Student services	\$ 109,853	\$ -	\$ -	\$ -	\$ -	\$ 109,853
Instructional staff services	75,229	-	-	-	-	75,229
Administration services	453,033	-	-	-	-	453,033
Operation and maintenance of plant services	464,159	28,804	-	-	-	492,963
Transportation services	189,956	8,408	-	-	-	198,364
	\$ 1,292,230	\$ 37,212	\$ -	\$ -	\$ -	\$ 1,329,442
Other expenditures:						
Facilities acquisition	\$ -	\$ -	\$ 68,100	\$ 50,124	\$ -	\$ 118,224
AEA flow through	178,464	-	-	-	-	178,464
	\$ 178,464	\$ -	\$ 68,100	\$ 50,124	\$ -	\$ 296,688
Total expenditures	\$ 4,561,325	\$ 77,155	\$ 68,100	\$ 50,124	\$ 199,625	\$ 4,956,329
(Deficiency) excess of revenue (under) over expenditures	\$ (113,312)	\$ (7,020)	\$ 106,967	\$ 313,390	\$ (92)	\$ 299,933
Other financing sources (uses):						
Operating transfers in	\$ -	\$ 15,000	\$ -	\$ 7,500	\$ -	\$ 22,500
Operating transfers out	(15,000)	-	(7,500)	-	-	(22,500)
Total other financing sources (uses)	\$ (15,000)	\$ 15,000	\$ (7,500)	\$ 7,500	\$ -	\$ -
Net change in fund balances	\$ (128,312)	\$ 7,980	\$ 99,467	\$ 320,890	\$ (92)	\$ 299,933
Fund balances beginning of year	1,017,963	486,556	611,237	133,477	163,356	2,412,589
Fund balances end of year	\$ 889,651	\$ 494,536	\$ 710,704	\$ 454,367	\$ 163,264	\$ 2,712,522

ROCK VALLEY COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds	\$	299,933
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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 capitalized in the Statement of Net Assets and are expensed over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$	301,736	
Depreciation expense		<u>(181,510)</u>	120,226

Early retirement expenses reported in the Statement of Activities are measured by the amount incurred during the year. However, in the governmental funds, early retirement expenditures are measured by the amount actually paid.

<u>(26,506)</u>
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Change in net assets of governmental activities	\$	<u>393,653</u>
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ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS - PROPRIETARY FUND

JUNE 30, 2005

	<u>School Nutrition</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 109,765
Accounts receivable	3,147
Accrued interest receivable	1,043
Inventories	9,542
Capital assets, net of accumulated depreciation	<u>42,424</u>
 Total assets	 <u>\$ 165,921</u>
<b>LIABILITIES:</b>	
Deferred revenue	<u>\$ 3,135</u>
Total liabilities	<u>\$ 3,135</u>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	\$ 42,424
Unrestricted	<u>120,362</u>
Total net assets	<u>\$ 162,786</u>
 Total liabilities and net assets	 <u>\$ 165,921</u>

## ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -PROPRIETARY FUNDYEAR ENDED JUNE 30, 2005

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ <u>150,101</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 87,018
Benefits	20,345
Supplies	142,704
Other	20,883
Depreciation	<u>5,117</u>
Total operating expenses	\$ <u>276,067</u>
Operating loss	\$ <u>(125,966)</u>
Non-operating revenues:	
Interest income	\$ 3,110
Gain on sale of capital assets	431
State sources	3,684
Federal sources	89,153
Food distribution	<u>25,723</u>
Total non-operating revenues	\$ <u>122,101</u>
Change in net assets	\$ (3,865)
Net assets beginning of year	<u>166,651</u>
Net assets end of year	<u>\$ 162,786</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2005

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 147,610
Cash paid to employees for services	(107,364)
Cash paid to suppliers for goods or services	<u>(138,061)</u>
Net cash used by operating activities	<u>\$ (97,815)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,684
Federal grants received	<u>89,153</u>
Net cash provided by non-capital financing activities	<u>\$ 92,837</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ (23,021)
Proceeds from the sale of capital assets	<u>1,500</u>
Net cash used by capital and related financing activities	<u>\$ (21,521)</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 2,879</u>
Net decrease in cash and cash equivalents	\$ (23,620)
Cash and cash equivalents beginning of year	<u>133,385</u>
Cash and cash equivalents end of year	<u>\$ 109,765</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (125,966)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	27,853
Depreciation	5,117
Increase in accounts receivable	(3,147)
Increase in inventories	(800)
Decrease in accounts payable	(1,528)
Increase in deferred revenues	<u>656</u>
Net cash used by operating activities	<u>\$ (97,815)</u>

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

During the year ended June 30, 2005, the District received \$25,723 of federal commodities.

During the year ended June 30, 2005, the District recognized \$431 in gain on sale of capital assets.

See notes to financial statements.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2005

	Expendable <u>Trust</u>
ASSETS:	
Cash and cash equivalents	\$ _____ -
Total assets	\$ _____ -
LIABILITIES	\$ _____ -
NET ASSETS:	
Reserved for school foundation	
Total net assets	\$ _____ -
Total liabilities and net assets	\$ _____ -

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

YEAR ENDED JUNE 30, 2005

REVENUES	\$ _____ -
EXPENDITURES	\$ <u>6,329</u>
Deficiency of revenues under expenditures	\$ (6,329)
Net assets beginning of year	<u>6,329</u>
Net assets end of year	<u><u>\$ -</u></u>

# ROCK VALLEY COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Rock Valley Community School District (the District) is a political subdivision of the State of Iowa and operates public schools for children in grades transitional kindergarten through twelve. In addition, the District either operates or sponsors various adult education programs. The geographic areas served includes the City of Rock Valley, Iowa, and the predominant agricultural territory in Sioux and Lyon Counties in Iowa. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

- A. Reporting Entity - For financial reporting purposes, the 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 GASB 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 District has no component units which meet the GASB criteria.
- B. Basis of Presentation

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

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 attributable 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 imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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 and proprietary funds. 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 Management Levy Fund is used to account for certain costs, primarily insurance and early retirement benefits.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The Physical Plant and Equipment Levy is used to account for certain costs, primarily land and facilities, improvements and transportation equipment.

The Capital Projects Fund is used to account for certain costs, primarily construction, repairs and/or remodeling of school property.

The District reports the following major proprietary fund:

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

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, and special termination benefits 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.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 except for those that conflict with or contradict GASB pronouncements.

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

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.

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.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property tax receivable is recognized in these funds on the legally enforceable claim date, which is the date that the tax asking is certified by the Board of Education. Current year 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 becomes due and collectible in September and March of the fiscal year with a 1-1/2 percent per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

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 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 \$1,000 and estimated useful lives in excess of two years.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-15 years

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

Deferred 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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

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

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.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed budgeted amounts in any functional areas.

NOTE 2 - CASH AND POOLED INVESTMENTS:

The District's deposits in banks at June 30, 2005 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 ensure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had investments as follows:

Certificates of Deposit	<u>\$ 2,750,000</u>
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The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

NOTE 3 - INTERFUND TRANSFERS:

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Capital Projects Fund	Physical Plant and Equipment Levy	<u>\$ 7,500</u>
Management Fund	General Fund	<u>\$ 15,000</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 4 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2005 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 37,853	\$ 15,000	\$ -	\$ 52,853
Construction-in-progress (architect fees)	<u>-</u>	<u>50,124</u>	<u>-</u>	<u>50,124</u>
Total capital assets not being depreciated	<u>\$ 37,853</u>	<u>\$ 65,124</u>	<u>\$ -</u>	<u>\$ 102,977</u>
Capital assets being depreciated:				
Land improvements	\$ 279,426	\$ 61,998	\$ -	\$ 341,424
Buildings and improvements	3,531,133	68,733	-	3,599,866
Vehicles	382,638	27,870	-	410,508
Machinery and equipment	<u>1,107,138</u>	<u>78,011</u>	<u>-</u>	<u>1,185,149</u>
Total capital assets depreciated	<u>\$ 5,300,335</u>	<u>\$ 236,612</u>	<u>\$ -</u>	<u>\$ 5,536,947</u>
Less accumulated depreciation for:				
Land improvements	\$ 119,199	\$ 23,590	\$ -	\$ 142,789
Buildings and improvements	2,284,533	70,086	-	2,354,619
Vehicles	134,089	21,004	-	155,093
Machinery and equipment	<u>764,789</u>	<u>66,830</u>	<u>-</u>	<u>831,619</u>
Total accumulated depreciation	<u>\$ 3,302,610</u>	<u>\$ 181,510</u>	<u>\$ -</u>	<u>\$ 3,484,120</u>
Total capital assets being depreciated, net	<u>\$ 1,997,725</u>	<u>\$ 55,102</u>	<u>\$ -</u>	<u>\$ 2,052,827</u>
Governmental activities capital assets, net	<u>\$ 2,035,578</u>	<u>\$ 120,226</u>	<u>\$ -</u>	<u>\$ 2,155,804</u>
Business type activities:				
Machinery and equipment	\$ 43,505	\$ 23,021	\$ (4,278)	\$ 62,248
Less accumulated depreciation	<u>17,916</u>	<u>5,117</u>	<u>(3,209)</u>	<u>19,824</u>
Business type activities capital assets, net	<u>\$ 25,589</u>	<u>\$ 17,904</u>	<u>\$ (1,069)</u>	<u>\$ 42,424</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 4 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 86,344
Special	19,922
Other	24,046

Support services:

Student	4,231
Instructional staff	2,897
Administration	17,447
Operation and maintenance of plant	18,984
Transportation	<u>7,639</u>

Total depreciation expense - governmental activities \$ 181,510

Business type activities:

Food service operations	<u>\$ 5,117</u>
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NOTE 5 - LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning <u>of Year</u>	<u>Additions</u>	<u>Reductions</u>	Balance End <u>of Year</u>	Due Within <u>One Year</u>
Early retirement	\$ <u>64,844</u>	\$ <u>43,299</u>	\$ <u>16,793</u>	\$ <u>91,350</u>	\$ <u>20,504</u>

Early Retirement - The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least fifty-five and must have completed ten years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee will be based on the age of the applicant as of July 1 and the total salary of the applicant during the most recently completed school year. Early retirement benefits paid during the year ended June 30, 2005 totaled \$16,793. The total liability for early retirement are recorded as long-term liabilities in the government-wide financial statements.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 6 - 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 percent of their annual covered salary and the District is required to contribute 5.75 percent of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$158,555, \$150,597, and \$145,347, respectively, equal to the required contributions for each year.

NOTE 7 - RISK MANAGEMENT:

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

NOTE 8 - 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 \$178,464 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 9 - SUBSEQUENT EVENT:

Effective October 5, 2005, the District issued \$6,950,000 General Obligation School Bonds for the purpose of the construction of a new elementary facility, library and reconstruction of existing junior/senior high school rooms to accommodate a middle school for grades 6-8. The bonds will be repaid over a period of 20 years using proceeds from local option sales tax and a debt service tax levy.

**REQUIRED SUPPLEMENTARY INFORMATION**

ROCK VALLEY 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, 2005

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Receipts:		
Local sources	\$ 2,826,119	\$ 150,489
State sources	2,163,109	3,684
Federal sources	224,417	89,153
Other revenues	<u>-</u>	<u>1,500</u>
Total receipts	<u>\$ 5,213,645</u>	<u>\$ 244,826</u>
Disbursements:		
Instruction	\$ 3,306,576	\$ -
Support services	1,329,442	-
Non-instructional programs	-	268,446
Other expenditures	<u>296,688</u>	<u>-</u>
Total disbursements	<u>\$ 4,932,706</u>	<u>\$ 268,446</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 280,939	\$ (23,620)
Balances beginning of year	<u>2,334,900</u>	<u>133,385</u>
Balances end of year	<u>\$ 2,615,839</u>	<u>\$ 109,765</u>

See accompanying independent auditor's report.

Total <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 2,976,608	\$ 2,953,163	\$ 2,953,163	\$ 23,445
2,166,793	2,241,257	2,241,257	(74,464)
313,570	275,200	275,200	38,370
<u>1,500</u>	<u>2,000</u>	<u>2,000</u>	<u>(500)</u>
<u>\$ 5,458,471</u>	<u>\$ 5,471,620</u>	<u>\$ 5,471,620</u>	<u>\$ (13,149)</u>
\$ 3,306,576	\$ 3,405,534	\$ 3,405,534	\$ 98,958
1,329,442	1,511,369	1,511,369	181,927
268,446	301,000	301,000	32,554
<u>296,688</u>	<u>599,867</u>	<u>599,867</u>	<u>303,179</u>
<u>\$ 5,201,152</u>	<u>\$ 5,817,770</u>	<u>\$ 5,817,770</u>	<u>\$ 616,618</u>
\$ 257,319	<u>\$ (346,150)</u>	<u>\$ (346,150)</u>	<u>\$ (603,469)</u>
<u>2,468,285</u>			
<u>\$ 2,725,604</u>			

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2005

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 5,213,645	\$ 42,617	\$ 5,256,262
Expenditures	<u>4,932,706</u>	<u>23,623</u>	<u>4,956,329</u>
Net	\$ 280,939	\$ 18,994	\$ 299,933
Beginning balance	<u>2,334,900</u>	<u>77,689</u>	<u>2,412,589</u>
Ending balance	<u>\$ 2,615,839</u>	<u>\$ 96,683</u>	<u>\$ 2,712,522</u>

  

	<u>Proprietary Fund</u>		
	<u>Enterprise</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
Revenues	\$ 244,826	\$ 27,376	\$ 272,202
Expenses	<u>268,446</u>	<u>7,621</u>	<u>276,067</u>
Net	\$ (23,620)	\$ 19,755	\$ (3,865)
Beginning net assets	<u>133,385</u>	<u>33,266</u>	<u>166,651</u>
Ending net assets	<u>\$ 109,765</u>	<u>\$ 53,021</u>	<u>\$ 162,786</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2005

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

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

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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2005, expenditures did not exceed budgeted amounts and the District did not exceed its unspent authorized budget.

## OTHER SUPPLEMENTARY INFORMATION

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR FUNDS

JUNE 30, 2005

ASSETS

	<u>Student Activity</u>	<u>Debt Service</u>	<u>Total</u>
Cash and pooled investments	\$ 147,475	\$ -	\$ 147,475
Receivables:			
Accounts	330	-	330
Accrued interest	1,346	-	1,346
Inventory	<u>14,173</u>	<u>-</u>	<u>14,173</u>
 Total assets	 <u>\$ 163,324</u>	 <u>\$ -</u>	 <u>\$ 163,324</u>

LIABILITIES AND FUND EQUITY

Liabilities:			
Accounts payable	\$ 60	\$ -	\$ 60
Total liabilities	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ 60</u>
 Fund equity:			
Unreserved fund balances	<u>163,264</u>	<u>-</u>	<u>163,264</u>
 Total liabilities and fund equity	 <u>\$ 163,324</u>	 <u>\$ -</u>	 <u>\$ 163,324</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR FUNDS

YEAR ENDED JUNE 30, 2005

	<u>Student Activity</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:			
Local sources:			
Other	\$ 199,533	\$ -	\$ 199,533
Total revenues	<u>\$ 199,533</u>	<u>\$ -</u>	<u>\$ 199,533</u>
Expenditures:			
Current:			
Instruction:			
Other instruction	\$ 199,625	\$ -	\$ 199,625
Total expenditures	<u>\$ 199,625</u>	<u>\$ -</u>	<u>\$ 199,625</u>
Net change in fund balance	\$ (92)	\$ -	\$ (92)
Fund balances beginning of year	<u>163,356</u>	<u>-</u>	<u>163,356</u>
Fund balances end of year	<u><u>\$ 163,264</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 163,264</u></u>

## ROCK VALLEY COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

## YEAR ENDED JUNE 30, 2005

ACCOUNT:	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intrafund Transfers	Balance End of Year
Agriculture resale	\$ 214	\$ -	\$ -	\$ -	\$ 214
Art resale	1,886	602	(124)	150	2,462
Band resale	3,009	1,586	2,350	-	2,245
TSA resale	5,389	1,363	2,050	-	4,702
Spirit Club resale	3,480	20,855	14,902	-	9,433
Basketball	3,111	7,954	10,526	3,566	(3,027)
Football	1,002	12,526	16,788	5,108	(8,368)
Baseball	786	89	1,551	616	(1,292)
Golf	28	14	150	108	(216)
Wrestling	1	4,047	7,215	3,167	(6,334)
Track	-	879	1,432	553	(1,106)
Junior high boys athletics	-	110	847	737	(1,474)
Junior high girls athletics	-	-	1,199	1,199	(2,398)
High school girls basketball	3,400	3,923	3,405	-	3,918
High school girls volleyball	1	2,730	3,163	433	(865)
High school girls track	-	-	9	9	(18)
Tournaments	27,248	15,916	21,340	(6,275)	28,099
Annual 2002	1,125	645	3,752	2,077	(4,059)
Annual 2003	1	10,657	9,690	250	718
Instrument rent/repair	289	1,747	1,609	-	427
Band and vocal	2,395	3,141	4,531	-	1,005
Club reserve	11,594	-	1,000	4,460	6,134
Class of 2001	32	-	-	(32)	64
Class of 2002	729	-	-	(729)	1,458
Class of 2003	(740)	-	-	740	(1,480)
Class of 2004	(2)	-	-	2	(4)
Class of 2005	7,210	10	683	(6,537)	13,074
Class of 2006	6,164	2,277	4,116	553	3,772
Class of 2007	2,460	5,044	2,867	(24)	4,661
Class of 2008	4,500	285	-	1,869	2,916
Class of 2009	1,374	215	3	1,279	307
Class of 2010	-	200	30	1,074	(904)
Cheerleaders	1,117	2,172	2,271	840	178
FFA	4,155	16,957	19,345	-	1,767
FHA	569	920	878	-	611
Pep club	306	540	329	-	517
Student council	1,257	10,644	10,604	-	1,297
TSA program	1,322	4,518	3,600	97	2,143
FCH	419	27	40	-	406
Library club	497	-	-	-	497
Elementary activity	3,289	13,129	14,976	70	1,372
Spanish club	2,706	355	-	-	3,061
Spirit club	6,129	4,516	3,740	-	6,905
Interest	39,839	3,803	2,000	(2,709)	44,351
Adult activity tickets	-	4,785	-	(4,785)	9,570
Magazine sale	-	12,167	7,389	(4,778)	9,556
Student pictures	12,588	18,149	14,962	1,333	14,442
Miscellaneous insurance - student	-	504	504	-	-
Activity tickets	-	4,650	-	(4,650)	9,300
Drama and speech	-	1,153	3,035	1,882	(3,764)
FFA test plot	2,477	3,729	868	(1,653)	6,991
Total	\$ 163,356	\$ 199,533	\$ 199,625	\$ -	\$ 163,264

See accompanying independent auditor's report.

## ROCK VALLEY COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

## ALL GOVERNMENTAL FUNDS

FOR THE LAST FOUR YEARS ENDED JUNE 30,

	Modified Accrual Basis			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:				
Local sources:				
Local tax	\$ 1,995,560	\$ 1,906,606	\$ 1,736,826	\$ 1,749,775
Tuition	474,848	421,841	408,986	331,172
Other	383,855	338,205	377,829	392,829
State sources	2,177,666	1,904,478	2,003,399	1,957,655
Federal sources	<u>224,333</u>	<u>178,225</u>	<u>160,100</u>	<u>155,330</u>
Total	<u>\$ 5,256,262</u>	<u>\$ 4,749,355</u>	<u>\$ 4,687,140</u>	<u>\$ 4,586,761</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,238,603	\$ 2,228,859	\$ 2,038,651	\$ 1,947,070
Special instruction	517,314	429,209	567,782	562,768
Other instruction	574,282	521,679	520,355	535,819
Support services:				
Student services	109,853	103,858	87,960	98,793
Instructional staff services	75,229	76,629	86,483	80,879
Administration services	453,033	439,470	430,607	391,915
Operation and maintenance of plant services	492,963	421,840	403,174	301,486
Transportation services	198,364	218,845	163,304	164,628
Other expenditures:				
Facilities acquisition	118,224	1,505	55,743	84,808
Long-term debt:				
Principal	-	13,507	12,656	11,859
Interest and other charges	-	907	1,758	2,555
AEA flow through	<u>178,464</u>	<u>176,940</u>	<u>189,806</u>	<u>188,874</u>
Total	<u>\$ 4,956,329</u>	<u>\$ 4,633,248</u>	<u>\$ 4,558,279</u>	<u>\$ 4,371,454</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

To the Board of Education of  
Rock Valley Community School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of the Rock Valley Community School District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 3, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the 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 judgment, 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 reportable 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 caused by error or fraud 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 item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04.

To the Board of Education  
Rock Valley Community School District

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the 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 the 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.

*King, Reinsch, Prosser & Co., L.L.P.*

October 3, 2005  
Sioux City, Iowa

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or irregularities. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for many accounting and financial duties of the general, special revenue and debt service funds. In addition, the Board Secretary has primary responsibility for the enterprise fund.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions.

Response - The District understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District will review its procedures and implement changes as deemed necessary.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting

II-A-05 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2005

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting (Continued)

II-B-05                    Certified Budget - Expenditures for the year ended June 30, 2005 did not exceed the amount budgeted in any of the functional areas.

II-C-05                    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.

II-D-05                    Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-05                    Business Transactions - We noted no business transactions between the District and District officials or employees that would appear to constitute a conflict of interest.

II-F-05                    Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-05                    Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

II-H-05                    Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II- I-05                    Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II- J-05                    Certified Annual Report - The Certified Annual Report (CAR) was not timely filed with the Department of Education. We noted no significant deficiencies in the amounts reported.

Recommendation - The District should take measures to ensure that the CAR is timely filed.

Response - The Board Secretary is aware of the situation and will work to timely file the CAR in the future.

Conclusion - Response accepted.