

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

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## Independent Auditor's Report

To the Board of Education of  
Rockwell-Swaledale Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rockwell-Swaledale Community School District, Rockwell, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rockwell-Swaledale Community School District as of June 30, 2005, 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.

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2005, on our consideration of Rockwell-Swaledale Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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 over financial reporting or on compliance. 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.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 39 through 41 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 required 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 Rockwell-Swaledale Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004, (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

October 5, 2005

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Rockwell-Swaledale Community School District provides this discussion and analysis of the District's financial performance and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,158,374 in fiscal year 2004 to \$3,226,417 in fiscal year 2005. General Fund expenditures also increased from \$3,180,397 in fiscal 2004 to \$3,283,479 in fiscal 2005 but this still resulted in a decrease of \$57,062 in the General Fund balance from \$295,835 in fiscal 2004 to \$238,773 in fiscal 2005 or a 19.3% decrease in fund balance.
- The increase in General Fund revenues was attributable to an increase in property tax, interest rates, and sale of service of 40% of the Superintendent's contract to Sheffield-Chapin.
- The district sold \$1.9 million in school infrastructure local option sales and services tax revenue bonds. The money was used for a three phase project starting with building a new vocational technology building, then an addition to the high school and renovation of existing classrooms and finally renovation of the elementary school.

USING THIS ANNUAL REPORT

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

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

- The statements for *fiduciary funds* provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others, such as scholarships.

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

**Figure A-1**

*Shows how the various parts of this annual report are arranged and related to one another.*

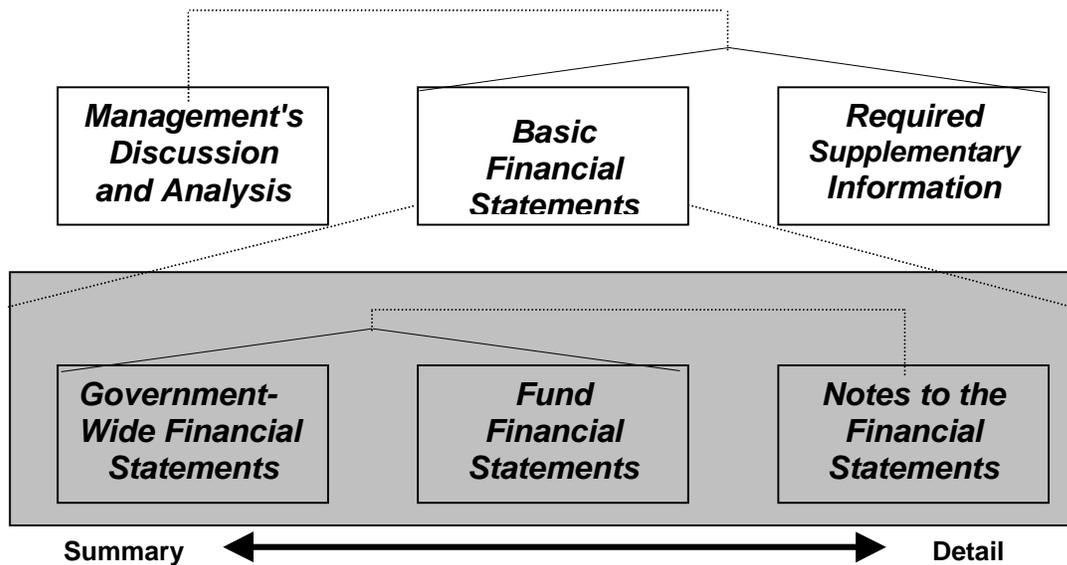


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

<b>Figure A-2</b>				
<b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

### GOVERNMENT-WIDE STATEMENTS

The Government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School District’s assets and liabilities. All of the current year’s

revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

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

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

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

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

## FUND FINANCIAL STATEMENTS

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

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

The School District has three kinds of funds:

*Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explain the relationship or differences between the two statements.

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

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

- The School District’s enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The School District currently has one enterprise fund, the School Nutrition Fund.
- 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.

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

- Scholarship Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

Figure A-3 below provides a summary of the District’s net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Current and other assets	3,687,798	2,552,102	(26,612)	(11,732)	3,661,186	2,540,370	44%
Capital assets	2,568,378	1,426,203	9,405	9,104	2,577,783	1,435,307	80%
<b>Total assets</b>	<b>6,256,176</b>	<b>3,978,305</b>	<b>(17,207)</b>	<b>(2,628)</b>	<b>6,238,969</b>	<b>3,975,677</b>	<b>57%</b>
Long-term liabilities	2,111,041	132,745	-	-	2,111,041	132,745	1490%
Other liabilities	1,866,424	1,744,959	1,282	1,649	1,867,706	1,746,608	7%
<b>Total liabilities</b>	<b>3,977,465</b>	<b>1,877,704</b>	<b>1,282</b>	<b>1,649</b>	<b>3,978,747</b>	<b>1,879,353</b>	<b>112%</b>
Net Assets:							
Invested in capital assets, net of related debt	1,439,931	1,394,719	9,405	9,104	1,449,336	1,403,823	3%
Restricted	689,463	442,565	-	-	689,463	442,565	56%
Unrestricted	149,317	263,317	(27,894)	(13,381)	121,423	249,936	-51%
<b>TOTAL NET ASSETS</b>	<b>2,278,711</b>	<b>2,100,601</b>	<b>(18,489)</b>	<b>(4,277)</b>	<b>2,260,222</b>	<b>2,096,324</b>	<b>8%</b>

The districts combined net assets increased by nearly 8%, or approximately \$163,898 over the prior year. The largest portion of the District's net assets in the invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment of capital assets is liquidated with sources other than capital assets

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$246,898 or 56% over the prior year. The increase was primarily a result of required reserve accounts for debt service.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$128,513 or 51%.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

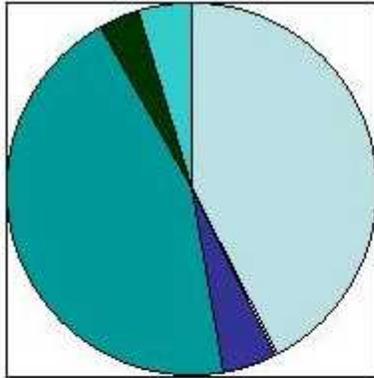
Figure A-4

	Change in Net Assets						Percentage Change 2004-2005
	Governmental		Business-type		Total		
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	393,040	307,372	84,387	85,382	477,427	392,754	22%
Operating grants & contributions	368,021	382,730	46,349	50,738	414,370	433,468	-4%
Capital grants, contributions & restricted interest	55,047	59,434	-	-	55,047	59,434	-7%
General Revenues:							
Property taxes	1,373,685	1,285,028	-	-	1,373,685	1,285,028	7%
Income Surtax	55,874	100,275	-	-	55,874	100,275	-44%
Local option sales tax	434,653	341,424	-	-	434,653	341,424	27%
Unrestricted state grants	1,377,652	1,385,441	-	-	1,377,652	1,385,441	-1%
Unrestricted investment earnings	17,393	11,161	-	23	17,393	11,184	56%
Other revenue	2,031	199,569	-	-	2,031	199,569	-99%
<b>Total Revenues</b>	<b>4,077,396</b>	<b>4,072,434</b>	<b>130,736</b>	<b>136,143</b>	<b>4,208,132</b>	<b>4,208,577</b>	<b>0%</b>
Expenses:							
Instruction	2,314,868	2,358,272	-	-	2,314,868	2,358,272	-2%
Support services	1,180,014	995,688	-	-	1,180,014	995,688	19%
Non-instructional programs	2,590	562	144,948	162,154	147,538	162,716	-9%
Other expenditures	401,814	270,074	-	-	401,814	270,074	49%
<b>Total expenses</b>	<b>3,899,286</b>	<b>3,624,596</b>	<b>144,948</b>	<b>162,154</b>	<b>4,044,234</b>	<b>3,786,750</b>	<b>7%</b>
<b>CHANGE IN NET ASSETS</b>	<b>178,110</b>	<b>447,838</b>	<b>(14,212)</b>	<b>(26,011)</b>	<b>163,898</b>	<b>421,827</b>	<b>-61%</b>
Net assets beginning of year	2,100,601	1,652,763	(4,277)	21,734	2,096,324	1,674,497	25%
Net assets end of year	2,278,711	2,100,601	(18,489)	(4,277)	2,260,222	2,096,324	8%

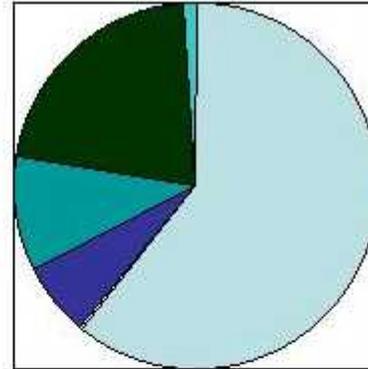
Property tax and unrestricted state grants account for 65% of the total revenue. The School District's expenses primarily relate to instruction and support services which account for 86% of the total expenses.

FIGURE A-5

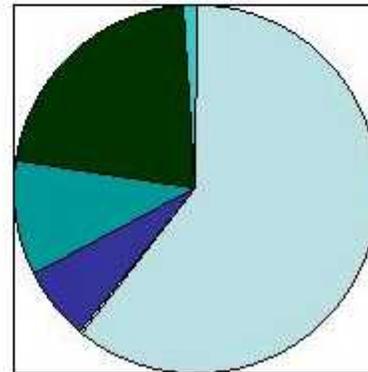
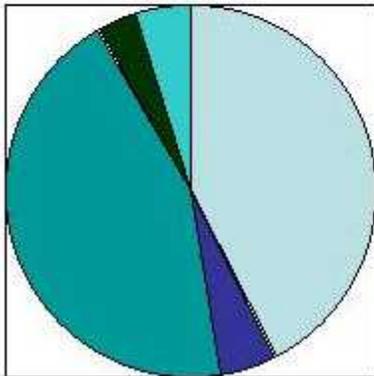
ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT  
SOURCES OF REVENUES AND EXPENSES FOR FISCAL YEAR 2005



REVENUES



EXPENDITURES



**Governmental Activities**

Revenues for governmental activities were \$4,077,396 and expenses were \$3,899,286 which amounted to an increase in net assets of \$178,110. The following table presents the total and net cost of the School District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-6 Net Cost of Governmental Activities

Figure A-6

Total and Net Cost of Governmental Activities

	Total Cost of Services 2005 \$	Total Cost of Services 2004 \$	Net Cost of Services 2005 \$	Net Cost of Services 2004 \$
Instruction	2,314,868	2,358,272	1,676,800	1,795,709
Support Services	1,180,014	995,688	1,178,583	992,444
Non-instructional Programs	2,590	562	2,590	562
Other Expenses	401,814	270,074	225,205	86,345
<b>TOTAL</b>	<u>3,899,286</u>	<u>3,624,596</u>	<u>3,083,178</u>	<u>2,875,060</u>

The cost financed by users of the District's programs was \$393,040

Federal and state governments subsidized certain programs with grants and contributions totaling \$398,861.

The net cost of governmental activities was financed with \$1,373,685 in property taxes, \$434,653 in local option sales tax, \$55,874 in income surtax and \$1,377,652 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$130,736 and expenses were \$144,948. The District's business type activities include the School Nutrition Fund. Revenues are comprised of charges for meals and federal and state reimbursements.

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

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,791,596, well above last year's ending fund balances of \$708,535

### Governmental Fund Highlights

The School District's decreasing General Fund financial position is the product of many factors. Declining enrollment and no new money have resulted in expenditures being cut to the bare minimum. The District continues to share several programs with Sheffield-Chapin and work toward whole-grade sharing. Despite these efforts, insurance rates, salaries and benefits continue to rise with little or no new money to cover the costs.

The General Fund expenditures for negotiated salaries increased by \$62,711 in 2004-05 as compared to an increase of \$69,740 in 2003-04. There was a smaller than normal increase in

health insurance costs which helped keep costs lower and we are still benefiting from several early retirements in 2003. Salaries and benefits make up 76 percent of General Fund expenditures.

The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$263,132 to \$97,775. This large decrease was due to completion of work covered by a large insurance claim the year before.

The Capital Projects Fund balance increased from \$148,890 to \$1,386,534. The increase was due to the sale of local option sales tax bonds to be repaid from the one-cent local option sales tax passed by Cerro Gordo County on March 4, 2003.

The Management Fund balance increased from (\$14,949) to \$10,111. The increase reflects budgeting to address early retirement payments.

### **Business-Type Fund Highlights**

The School Nutrition Fund balance decreased from (\$4,277) to (\$18,489). This decrease resulted from increased salary, benefit and food costs. The district will raise meal prices and look for ways to limit costs. The head cook is retiring so there will be some savings in salary there. One part-time cook will not be replaced.

## **BUDGETARY HIGHLIGHTS**

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

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

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

### **Legal Budgetary Highlights**

The School District's total actual receipts were \$381,088 more than the total budgeted receipts.

Most of the variance is the result of sales tax revenues being higher than anticipated and additional interest income earned in bond proceeds.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005 the School district had invested \$2,577,783, 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-7). Depreciation expense was \$90,424 for Governmental Activities and \$1,242 for Business-type Activities, which is the School Nutrition Fund.

Governmental funds account for \$2,568,378 of the School District's net capital assets with the remainder of \$9,405 in the Proprietary, School Nutrition Fund.

Construction in progress of \$1,116,344 was for the completion of the vocational technology building, the high school addition and renovation and the elementary renovation. These projects will be completed in the 2005-06 school year with an additional cost of approximately \$950,000.

Figure A-7

*Capital Assets (net of depreciation)*

	Governmental		Business type		Total		Percentage Change 2004-2005
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Land	86,900	86,900	-	-	86,900	86,900	0%
Construction in progress	1,116,344	53,200	-	-	1,116,344	53,200	1998%
Buildings	1,138,389	1,086,832	-	-	1,138,389	1,086,832	5%
Improvements	33,937	37,388	-	-	33,937	37,388	-9%
Equipment & Furniture	192,808	161,883	9,405	9,104	202,213	170,987	18%
<b>TOTAL</b>	<b>2,568,378</b>	<b>1,426,203</b>	<b>9,405</b>	<b>9,104</b>	<b>2,577,783</b>	<b>1,435,307</b>	<b>80%</b>

### Long-Term Debt

During fiscal year 2004 the District incurred new debt in the form of a lease purchase agreement for the acquisition of a bus. The remaining debt of \$31,484 on this agreement was paid during fiscal year 2005. The district also has ongoing debt in the form of early retirement benefits payable of \$161,041. This debt will be paid off in fiscal year 2010. The district also incurred \$1.95 million dollars in debt for the sale of local option sales tax bonds to finance the building of the vocational technology building, the high school addition and renovation and the elementary renovation. This debt will be repaid with local option sales tax proceeds over the next ten years.

**Figure A-8**

**Outstanding Long-Term Obligations**

**Percentage**

	<b>Total School District</b>		<b>Change</b>
	<b>2005</b>	<b>2004</b>	<b>2004-2005</b>
	\$	\$	
Local Option Sales and Services			
Tax Revenue Bonds	1,950,000	-	0%
Capital Leases	-	31,484	-100%
Early Retirement	161,041	101,261	59%
	<u>2,111,041</u>	<u>132,745</u>	<u>1490%</u>

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

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

The School District has experienced declining enrollment for the past several years. For the 2005-2006 school year the School District will need to levy for the budget guarantee.

In order to fund salary and benefit increases it will cost the district approximately \$63,000. In school year 2004-05 the district received no new money. In FY 2005-06 the district will also receive no new money. Settlements will be funded by cash reserves, early retirement savings, sharing, and contract terminations. This will have an adverse effect on the School District’s General Fund budget and related fund balance.

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

The district sold \$1.95 million in school infrastructure local option sales and services tax revenue bonds to fund a new vocational technology building, a high school addition and renovation project and an elementary remodeling project. The district hopes this will attract families to build homes in a new housing development in progress within the District.

**CONTACTING THE SCHOOL DISTRICT’S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	2,109,653	-	2,109,653
Receivables:			
Property tax:			
Delinquent	23,678	-	23,678
Succeeding year	1,348,349	-	1,348,349
Accounts	1,526	1,211	2,737
Accrued interest	3,916	-	3,916
Interfund receivable/payable	30,840	(30,840)	-
Due from other governments	150,336	-	150,336
Inventories	-	3,017	3,017
Other current assets	19,500	-	19,500
Capital assets, net of accumulated depreciation	2,568,378	9,405	2,577,783
	<u>6,256,176</u>	<u>(17,207)</u>	<u>6,238,969</u>
<b>Total assets</b>			
<b>Liabilities</b>			
Accounts payable	474,389	-	474,389
Salaries and benefits payable	1,066	-	1,066
Accrued interest payable	42,620	-	42,620
Deferred revenue:			
Succeeding year property tax	1,348,349	-	1,348,349
Other	-	1,282	1,282
Long-term liabilities:			
Portion due within one year:			
Early retirement	63,449	-	63,449
Portion due after one year:			
Revenue bonds payable	1,950,000	-	1,950,000
Early retirement	97,592	-	97,592
	<u>3,977,465</u>	<u>1,282</u>	<u>3,978,747</u>
<b>Total liabilities</b>			
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,439,931	9,405	1,449,336
Restricted for:			
Gifted and talented program	10,924	-	10,924
Physical plant and equipment levy	97,775	-	97,775
Other special revenue purposes	16,384	-	16,384
Debt service	196,174	-	196,174
Local option sales tax capital projects	368,206	-	368,206
Unrestricted	149,317	(27,894)	121,423
	<u>2,278,711</u>	<u>(18,489)</u>	<u>2,260,222</u>
<b>Total net assets</b>			

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
Governmental activities:				
Instruction:				
Regular instruction	1,585,440	206,318	186,705	-
Special instruction	366,271	-	58,323	-
Other instruction	363,157	186,722	-	-
	<u>2,314,868</u>	<u>393,040</u>	<u>245,028</u>	<u>-</u>
Support services:				
Student services	47,943	-	-	-
Instructional staff services	94,539	-	-	-
Administration services	531,377	-	-	-
Operation and maintenance of plant services	289,815	-	-	-
Transportation services	216,340	-	1,431	-
	<u>1,180,014</u>	<u>-</u>	<u>1,431</u>	<u>-</u>
Non-instructional programs	2,590	-	-	-
Other expenditures:				
Facilities acquisition	192,485	-	-	55,047
Long-term debt interest	43,443	-	-	-
AEA flowthrough	121,562	-	121,562	-
Depreciation (unallocated)*	44,324	-	-	-
	<u>401,814</u>	<u>-</u>	<u>121,562</u>	<u>55,047</u>
Total governmental activities	3,899,286	393,040	368,021	55,047
Business type activities:				
Non-instructional programs:				
Food service operations	144,948	84,387	46,349	-
Total	<u>4,044,234</u>	<u>477,427</u>	<u>414,370</u>	<u>55,047</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(1,192,417)	-	(1,192,417)
(307,948)	-	(307,948)
(176,435)	-	(176,435)
<u>(1,676,800)</u>	<u>-</u>	<u>(1,676,800)</u>
(47,943)	-	(47,943)
(94,539)	-	(94,539)
(531,377)	-	(531,377)
(289,815)	-	(289,815)
(214,909)	-	(214,909)
<u>(1,178,583)</u>	<u>-</u>	<u>(1,178,583)</u>
<u>(2,590)</u>	<u>-</u>	<u>(2,590)</u>
(137,438)	-	(137,438)
(43,443)	-	(43,443)
-	-	-
<u>(44,324)</u>	<u>-</u>	<u>(44,324)</u>
<u>(225,205)</u>	<u>-</u>	<u>(225,205)</u>
(3,083,178)	-	(3,083,178)
<u>-</u>	<u>(14,212)</u>	<u>(14,212)</u>
<u>(3,083,178)</u>	<u>(14,212)</u>	<u>(3,097,390)</u>
1,275,203	-	1,275,203
98,482	-	98,482
55,874	-	55,874
434,653	-	434,653
1,377,652	-	1,377,652
17,393	-	17,393
2,031	-	2,031
<u>3,261,288</u>	<u>-</u>	<u>3,261,288</u>
178,110	(14,212)	163,898
<u>2,100,601</u>	<u>(4,277)</u>	<u>2,096,324</u>
<u>2,278,711</u>	<u>(18,489)</u>	<u>2,260,222</u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2005

	General Fund \$	Local Option Sales Tax \$	Nonmajor Governmental Funds \$	Total \$
<b>Assets</b>				
Cash and pooled investments:				
Other	198,753	1,747,297	163,603	2,109,653
Receivables:				
Property tax:				
Delinquent	20,242	-	3,436	23,678
Succeeding year	1,130,615	-	217,734	1,348,349
Accounts	1,526	-	-	1,526
Accrued interest - other	-	3,916	-	3,916
Interfund receivable	30,840	-	-	30,840
Due from other governments	82,098	68,238	-	150,336
Other current assets	-	19,500	-	19,500
	<u>1,464,074</u>	<u>1,838,951</u>	<u>384,773</u>	<u>3,687,798</u>
<b>Total assets</b>				
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	21,222	452,417	750	474,389
Salaries and benefits payable	1,066	-	-	1,066
Deferred revenue:				
Succeeding year property tax	1,130,615	-	217,734	1,348,349
Other	72,398	-	-	72,398
Total liabilities	<u>1,225,301</u>	<u>452,417</u>	<u>218,484</u>	<u>1,896,202</u>
Fund balances:				
Reserved for:				
Gifted and talented program	10,924	-	-	10,924
Debt service	-	196,775	42,019	238,794
Unreserved reported in:				
General fund	227,849	-	-	227,849
Special revenue funds	-	-	124,270	124,270
Capital projects funds	-	1,189,759	-	1,189,759
Total fund balances	<u>238,773</u>	<u>1,386,534</u>	<u>166,289</u>	<u>1,791,596</u>
	<u>1,464,074</u>	<u>1,838,951</u>	<u>384,773</u>	<u>3,687,798</u>
<b>Total liabilities and fund balances</b>				

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	1,791,596
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,568,378
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	72,398
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.	(42,620)
Long-term liabilities, including bonds payable and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,111,041)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>2,278,711</u></u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,256,453	434,653	199,537	1,890,643
Tuition	131,772	-	-	131,772
Other	92,141	24,207	186,722	303,070
State sources	1,630,404	-	122	1,630,526
Federal sources	115,147	-	30,840	145,987
Total revenues	<u>3,225,917</u>	<u>458,860</u>	<u>417,221</u>	<u>4,101,998</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,556,762	-	36,841	1,593,603
Special instruction	394,498	-	-	394,498
Other instruction	173,773	-	185,965	359,738
	<u>2,125,033</u>	<u>-</u>	<u>222,806</u>	<u>2,347,839</u>
Support services:				
Student services	47,943	-	-	47,943
Instructional staff services	94,436	-	103	94,539
Administration services	457,224	-	14,373	471,597
Operation and maintenance of plant services	240,813	-	52,679	293,492
Transportation services	196,468	-	10,698	207,166
	<u>1,036,884</u>	<u>-</u>	<u>77,853</u>	<u>1,114,737</u>
Non-instructional programs		-	2,590	2,590
Other expenditures:				
Facilities acquisition	-	1,128,447	223,063	1,351,510
Long-term debt:				
Principal	-	-	31,484	31,484
Interest and fiscal charges	-	-	1,044	1,044
AEA flowthrough	121,562	-	-	121,562
	<u>121,562</u>	<u>1,128,447</u>	<u>255,591</u>	<u>1,505,600</u>
Total expenditures	<u>3,283,479</u>	<u>1,128,447</u>	<u>558,840</u>	<u>4,970,766</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(57,562)</u>	<u>(669,587)</u>	<u>(141,619)</u>	<u>(868,768)</u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Compensation for loss of fixed assets	-	-	1,329	1,329
Revenue Bonds issued	-	1,950,000	-	1,950,000
Sales of materials and equipment	500	-	-	500
Operating transfers in	-	-	74,547	74,547
Operating transfers out	-	(42,769)	(31,778)	(74,547)
Total other financing sources (uses)	<u>500</u>	<u>1,907,231</u>	<u>44,098</u>	<u>1,951,829</u>
Net change in fund balances	(57,062)	1,237,644	(97,521)	1,083,061
Fund balances beginning of year	<u>295,835</u>	<u>148,890</u>	<u>263,810</u>	<u>708,535</u>
Fund balances end of year	<u><u>238,773</u></u>	<u><u>1,386,534</u></u>	<u><u>166,289</u></u>	<u><u>1,791,596</u></u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds to the  
Statement of Activities

Year ended June 30, 2005

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		1,083,061
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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	1,232,599	
Depreciation expense	<u>(90,424)</u>	1,142,175
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		(26,431)
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.		31,484
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.		(42,399)
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		(59,780)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(1,950,000)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>178,110</u></u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Fund

June 30, 2005

	<u>Nonmajor School Nutrition</u> \$
<b>Assets</b>	
Cash and cash equivalents	
Accounts receivable	1,211
Inventories	3,017
Capital assets, net of accumulated depreciation	<u>9,405</u>
<b>Total assets</b>	<u>13,633</u>
<b>Liabilities</b>	
Interfund payable	30,840
Deferred revenue	<u>1,282</u>
<b>Total liabilities</b>	<u>32,122</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	9,405
Unrestricted	<u>(27,894)</u>
<b>Total net assets</b>	<u><u>(18,489)</u></u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>84,387</u>
Operating expenses:	
Non-instructional programs:	
Salaries	55,755
Benefits	12,218
Purchased services	195
Supplies	75,538
Depreciation	1,242
	<u>144,948</u>
Operating gain (loss)	<u>(60,561)</u>
Non-operating revenue:	
State sources	1,876
Federal sources	44,473
Total non-operating revenue	<u>46,349</u>
Change in net assets	(14,212)
Net assets beginning of year	<u>(4,277)</u>
Net assets end of year	<u><u>(18,489)</u></u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2005

	Nonmajor School Nutrition \$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	83,691
Cash payments to employees for services	(67,974)
Cash payments to suppliers for goods or services	(66,421)
Net cash used by operating activities	<u>(50,704)</u>
Cash flows from non-capital financing activities:	
Loan from General Fund	14,947
State grants received	1,876
Federal grants received	35,424
Net cash provided by non-capital financing activities	<u>52,247</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,543)</u>
Cash flows from investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u><u>-</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(60,561)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	9,049
Depreciation	1,242
Decrease (increase) in inventories	262
Decrease (increase) in accounts receivable	(329)
(Decrease) increase in deferred revenue	<u>(367)</u>
Net cash used in operating activities	<u><u>(50,704)</u></u>

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

During the year ended June 30, 2005 the District received \$9,049 of federal commodities.

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2005

	Private Purpose Trust <u>Scholarship</u> \$
<b>Assets</b>	
Cash and pooled investments	11,327
<b>Liabilities</b>	<u>-</u>
<b>Net assets</b>	
Reserved for scholarships	<u><u>11,327</u></u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	6,050
Deductions:	
Support services:	
Scholarships awarded	<u>5,550</u>
Change in net assets	500
Net assets beginning of year	<u>10,827</u>
Net assets end of year	<u><u>11,327</u></u>

# ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2005

### 1. Summary of Significant Accounting Policies

Rockwell-Swaledale Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Rockwell and Swaledale, Iowa and the predominately agricultural territory in a portion of Cerro Gordo County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Local Option Sales Tax Capital Projects fund is used to account for all resources used in the acquisition and construction of capital facilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the

District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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 market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the

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

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

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

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

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

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

E. Budgeting and Budgetary Control

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

**2. Cash and Pooled Investments**

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

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

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
	<hr/>
	\$
Diversified Portfolio	10,576

The investment is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

At June 30, 2005, the District had the following investments:

	<u>Fair Value</u>
	\$
Goldman Sachs Financial Square Treasury Obligations Fund	239,544

Credit risk: The investment in Goldman Sachs Financial Square Treasury Obligations Fund and the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

### 3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Enterprise: School Nutrition Fund	30,840

The General Fund loaned money to this fund to facilitate cash flow.

### 4. 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>
		\$
Nonmajor-Debt Service Fund	Nonmajor-Physical Plant and Equipment Levy Fund	31,778
Nonmajor-Debt Service Fund	Local Option Sales Tax Capital Projects	42,769

This transfer 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, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	53,200	1,159,025	95,881	1,116,344
Land	86,900	-	-	86,900
Total capital assets not being depr.	<u>140,100</u>	<u>1,159,025</u>	<u>95,881</u>	<u>1,203,244</u>
Capital assets being depreciated:				
Buildings	2,340,542	95,881	-	2,436,423
Improvements other than buildings	158,096	-	-	158,096
Furniture and equipment	490,644	73,574	-	564,218
Total capital assets being deprec.	<u>2,989,282</u>	<u>169,455</u>	<u>-</u>	<u>3,158,737</u>
Less accumulated depreciation for:				
Buildings	1,253,710	44,324	-	1,298,034

Improvements other than buildings	120,708	3,451	-	124,159
Furniture and equipment	328,761	42,649	-	371,410
Total accumulated depreciation	<u>1,703,179</u>	<u>90,424</u>	-	<u>1,793,603</u>
Total capital assets being depreciated, net	<u>1,286,103</u>	<u>79,031</u>	-	<u>1,365,134</u>
Governmental activities capital assets, net	<u>1,426,203</u>	<u>1,238,056</u>	<u>95,881</u>	<u>2,568,378</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	49,603	1,543		51,146
Less accumulated depreciation	<u>40,499</u>	<u>1,242</u>		<u>41,741</u>
Business type activities capital assets, net	<u>9,104</u>	<u>301</u>		<u>9,405</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	5,422
Special	3,137
Other	3,419
Support Services:	
Operation and maintenance of plant services	2,183
Transportation	31,939
Unallocated depreciation	<u>44,324</u>
Total depreciation expense – governmental activities	<u>90,424</u>
Business type activities:	
Food services	<u>1,242</u>

## 6. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Revenue Bonds – LOST	-	1,950,000	-	1,950,000	-
Capital leases	31,484	-	31,484	-	-
Early retirement	101,261	88,069	28,289	161,041	63,449
Total	<u>132,745</u>	<u>2,038,069</u>	<u>59,773</u>	<u>2,111,041</u>	<u>63,449</u>

## Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be between the ages fifty-five and sixty-two and must have completed ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on the difference between the salary at the time of retirement and the base salary. Early retirement expenditures for the year ended June 30, 2005 totaled \$28,289.

## Revenue Bonds Payable

Details of the District's June 30, 2005 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 2001			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2006	2.50	-	74,585	74,585
2007	2.50	220,000	61,180	281,180
2008	2.75	225,000	55,336	280,336
2009	3.00	230,000	48,793	278,793
2010	3.40	235,000	41,347	276,347
2011-2013	3.50-3.75	1,040,000	77,619	1,117,619
		<u>1,950,000</u>	<u>358,860</u>	<u>2,308,860</u>

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services revenue bonds include the following provisions:

- The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- Bonds maturing after January 1, 2011, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- \$195,000 of the proceeds from the bond issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Local Option Sales Tax Capital Projects Fund.
- Proceeds from the local option sales and services tax shall be placed in a revenue account with a trustee. The trustee will make monthly transfers from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund at the end of a quarter may be used for any lawful purpose for which the local option sales tax may be used or may be used to redeem the bonds in accordance with their terms. The sinking fund is part of the Debt Service Fund.

## **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, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$110,726, \$106,263, and \$110,275 respectively, equal to the required contributions for each year.

## **8. Risk Management**

The District was a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$3.9 million. The District's share of this assessment was \$10,354 which is recorded as a liability as of June 30, 2005.

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.

## **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 \$121,562 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.

## **10. Construction Commitment**

The District has entered into contracts totaling \$2,162,564 for roof repairs and remodeling. As of June 30, 2005 costs of \$1,212,225 had been incurred against the contracts. The balances remaining at June 30, 2005 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
<b>Receipts:</b>						
Local sources	2,537,499	83,691	2,621,190	2,239,259	2,239,259	381,931
State sources	1,634,996	1,876	1,636,872	1,698,938	1,698,938	(62,066)
Federal sources	148,750	44,473	193,223	132,000	132,000	61,223
Total receipts	<u>4,321,245</u>	<u>130,040</u>	<u>4,451,285</u>	<u>4,070,197</u>	<u>4,070,197</u>	<u>381,088</u>
<b>Disbursements:</b>						
Instruction	2,453,604	-	2,453,604	2,536,117	2,536,117	82,513
Support services	1,114,684	-	1,114,684	1,193,300	1,246,479	131,795
Non-instructional programs	2,590	144,987	147,577	157,954	157,954	10,377
Other expenditures	1,063,333	-	1,063,333	684,111	1,226,000	162,667
Total disbursements	<u>4,634,211</u>	<u>144,987</u>	<u>4,779,198</u>	<u>4,571,482</u>	<u>5,166,550</u>	<u>387,352</u>
Excess (deficiency) of receipts over (under) disbursements	(312,966)	(14,947)	(327,913)	(501,285)	(1,096,353)	768,440
Other financing sources (uses) net	<u>1,932,779</u>	<u>14,947</u>	<u>1,947,726</u>	<u>-</u>	<u>-</u>	<u>1,947,726</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	1,619,813	-	1,619,813	(501,285)	(1,096,353)	2,716,166
Balance beginning of year	<u>489,840</u>	<u>-</u>	<u>489,840</u>	<u>560,968</u>	<u>560,968</u>	<u>(71,128)</u>
Balance end of year	<u><u>2,109,653</u></u>	<u><u>-</u></u>	<u><u>2,109,653</u></u>	<u><u>59,683</u></u>	<u><u>(535,385)</u></u>	<u><u>2,645,038</u></u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	4,333,035	(231,037)	4,101,998
Expenditures	4,634,211	336,555	4,970,766
Net	(301,176)	(567,592)	(868,768)
Other financing sources (uses) net	1,932,779	19,050	1,951,829
Beginning fund balances	489,840	218,695	708,535
Ending fund balances	<u>2,121,443</u>	<u>(329,847)</u>	<u>1,791,596</u>

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	130,040	696	130,736
Expenditures	144,987	(39)	144,948
Net	(14,947)	735	(14,212)
Other financing sources (uses) net	14,947	(14,947)	-
Beginning fund balances	-	(4,277)	(4,277)
Ending fund balances	<u>-</u>	<u>(18,489)</u>	<u>(18,489)</u>

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by the fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$595,068.

OTHER SUPPLEMENTARY INFORMATION

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	\$	\$	\$
Cash and pooled investments	8,391	16,384	96,059	42,769	163,603
Receivables:					
Property tax:					
Delinquent	1,720	-	1,716	-	3,436
Succeeding year	116,000	-	101,734	-	217,734
<b>Total assets</b>	<b>126,111</b>	<b>16,384</b>	<b>199,509</b>	<b>42,769</b>	<b>384,773</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	-	-	-	750	750
Deferred revenue:					
Succeeding year property tax	116,000	-	101,734	-	217,734
Total liabilities	116,000	-	101,734	750	218,484
Fund balances:					
Reserved for debt service	-	-	-	42,019	42,019
Unreserved reported in:					
Special revenue funds	10,111	16,384	97,775	-	124,270
Total fund balances	10,111	16,384	97,775	42,019	166,289
<b>Total liabilities and fund balances</b>	<b>126,111</b>	<b>16,384</b>	<b>199,509</b>	<b>42,769</b>	<b>384,773</b>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Special Revenue Funds				Total \$
	Management Levy \$	Student Activity Fund \$	Physical Plant and Equipment Levy \$	Debt Service \$	
Revenues:					
Local sources:					
Local tax	99,905	-	99,632	-	199,537
Other	-	186,722	-	-	186,722
State sources	61	-	61	-	122
Federal sources	-	-	30,840	-	30,840
Total revenues	<u>99,966</u>	<u>186,722</u>	<u>130,533</u>	<u>-</u>	<u>417,221</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	36,841	-	-	-	36,841
Other instruction	-	185,965	-	-	185,965
Support services:					
Instructional staff services	103	-	-	-	103
Administration services	14,373	-	-	-	14,373
Operation and maintenance of plant services	10,301	-	42,378	-	52,679
Transportation services	10,698	-	-	-	10,698
Non-instructional programs	2,590	-	-	-	2,590
Other expenditures:					
Facilities acquisition	-	-	223,063	-	223,063
Long-term debt:					
Principal	-	-	-	31,484	31,484
Interest and fiscal charges	-	-	-	1,044	1,044
Total expenditures	<u>74,906</u>	<u>185,965</u>	<u>265,441</u>	<u>32,528</u>	<u>558,840</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,060</u>	<u>757</u>	<u>(134,908)</u>	<u>(32,528)</u>	<u>(141,619)</u>
Other financing sources (uses):					
Compensation for loss of fixed assets	-	-	1,329	-	1,329
Operating transfers in	-	-	-	74,547	74,547
Operating transfers out	-	-	(31,778)	-	(31,778)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(30,449)</u>	<u>74,547</u>	<u>44,098</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>25,060</u>	<u>757</u>	<u>(165,357)</u>	<u>42,019</u>	<u>(97,521)</u>
Fund balances beginning of year	<u>(14,949)</u>	<u>15,627</u>	<u>263,132</u>	<u>-</u>	<u>263,810</u>
Fund balances end of year	<u>10,111</u>	<u>16,384</u>	<u>97,775</u>	<u>42,019</u>	<u>166,289</u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

<u>Account</u>	<u>Balance Beginning</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Cash	-	3,370	3,598	228	-
General athletics	1,931	47,068	46,065	(1,064)	1,870
FFA	2,160	41,180	41,528	383	2,195
Student council - operating	1,045	4,046	3,996	-	1,095
Student council - junior high	88	1,065	1,158	300	295
Drama	287	-	-	-	287
Cheerleaders	4	4,156	3,225	-	935
NHS	338	348	578	-	108
Music resale	60	457	353	32	196
Music trip	100	29,582	27,962	(100)	1,620
Instruments	32	-	-	68	100
Uniforms	240	-	-	-	240
Yearbook	1,815	11,934	13,165	1,958	2,542
Seniors	4,239	736	4,330	2,399	3,044
Juniors	-	12,141	9,684	(2,457)	-
Academic honors banquet	884	829	1,383	375	705
Pop	-	2,084	891	(1,193)	-
Interest	-	234	-	(234)	-
Courtesy	-	3,730	3,730	-	-
Elementary	2,227	2,580	3,332	(325)	1,150
Library	81	2,491	2,570	-	2
Cornbowl	-	18,990	18,620	(370)	-
Accrual entries beginning	96	(299)	(203)	-	-
<b>Total</b>	<b>15,627</b>	<b>186,722</b>	<b>185,965</b>	<b>-</b>	<b>16,384</b>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,890,643	1,726,397	1,320,595	1,210,457
Tuition	131,772	146,155	138,791	113,269
Other	303,070	172,859	197,128	229,612
State sources	1,630,526	1,650,633	1,684,357	1,653,540
Federal sources	145,987	176,972	119,079	43,828
Total revenues	<u>4,101,998</u>	<u>3,873,016</u>	<u>3,459,950</u>	<u>3,250,706</u>
Expenditures:				
Instruction:				
Regular instruction	1,593,603	1,619,017	1,577,710	1,491,292
Special instruction	394,498	405,679	399,934	391,780
Other instruction	359,738	340,660	305,136	337,087
Support services:				
Student services	47,943	41,591	41,172	40,012
Instructional staff services	94,539	98,617	131,714	122,951
Administration services	471,597	426,707	411,900	418,939
Operation and maintenance of plant services	293,492	245,665	363,468	305,765
Transportation services	207,166	251,617	136,689	160,679
Non-instructional programs	2,590	562	52	266
Other expenditures:				
Facilities acquisition	1,351,510	333,093	-	-
Long-term debt:				
Principal	31,484	-	-	-
Interest and other charges	1,044	-	-	-
AEA flowthrough	121,562	124,295	130,354	130,483
Total expenditures	<u>4,970,766</u>	<u>3,887,503</u>	<u>3,498,129</u>	<u>3,399,254</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  
Government Auditing Standards

To the Board of Education of  
Rockwell-Swaledale Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rockwell-Swaledale Community School District 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 5, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rockwell-Swaledale Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 05-I-A is a material weakness.

### Compliance and Other Matters

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

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Rockwell-Swaledale Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

October 5, 2005

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

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

Conclusion: Response accepted.

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

05-II-A Official Depositories: The District's depository resolution does not state a maximum limit for each bank.

Recommendation: Each year the board should adopt a resolution naming the banks in which the District may deposit monies and the maximum balance allowed at each bank.

District Response: We will adopt a depository resolution stating the maximum amount.

Conclusion: Response accepted.

05-II-B Certified Budget: Disbursements for the year ended June 30, 2005, did not exceed the amounts budgeted.

05-II-C Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

05-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.

05-II-E Business Transactions: We noted no transactions between the District and District officials or employees.

05-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.

05-II-G Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

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

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

05-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.

05-II-K Deficit Balance: The District has a deficit fund balance in the Enterprise, School Nutrition Fund of \$18,489.

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

District Response: We are working on ways to eliminate this deficit.

Conclusion: Response accepted.

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

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

05-II-L     Allocation of Interest: We noted that interest from a pooled bank account is not being allocated to the Special Revenue, Management and Physical Plant and Equipment Levy Funds.

Recommendation: The District should allocate interest revenue to each fund within a pooled bank account.

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

Conclusion: Response accepted.