

ROLAND-STORY 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
Roland-Story Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Roland-Story Community School District, Story City, Iowa, as of and for the year ended June 30, 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 basic financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Roland-Story Community School District as of June 30, 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 reports dated September 16, 2005, on our consideration of Roland-Story Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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 13 and 38 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Roland-Story Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004, (none of which are presented herein). We expressed unqualified opinions on the financial statements for 2002 and 2003. For 2004 we disclaimed an opinion the discretely presented component unit and we issued unqualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

September 16, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Roland-Story Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2005. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

2005 FINANCIAL HIGHLIGHTS

- The General Fund ending fund balance decreased from \$899,062 in Fiscal Year 2004 to \$559,867 due primarily to the increase in special education costs and a decrease in student enrollment.
- The Roland-Story School Board on August 16, 2004 issued \$4,100,000 in School Infrastructure Sales and Services Tax Revenue Bonds. These funds will be used for a High School Athletic Addition; which will include a wrestling facility and a competition gym. Remaining funds will also be used to improve the locker room facilities at the Middle School.
- The board accepted eleven bid packages for the construction of the High School Athletic Facility on April 4, 2005. Story Construction has been hired to act as the Construction Manager for the project. The estimated project cost is \$3,717,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

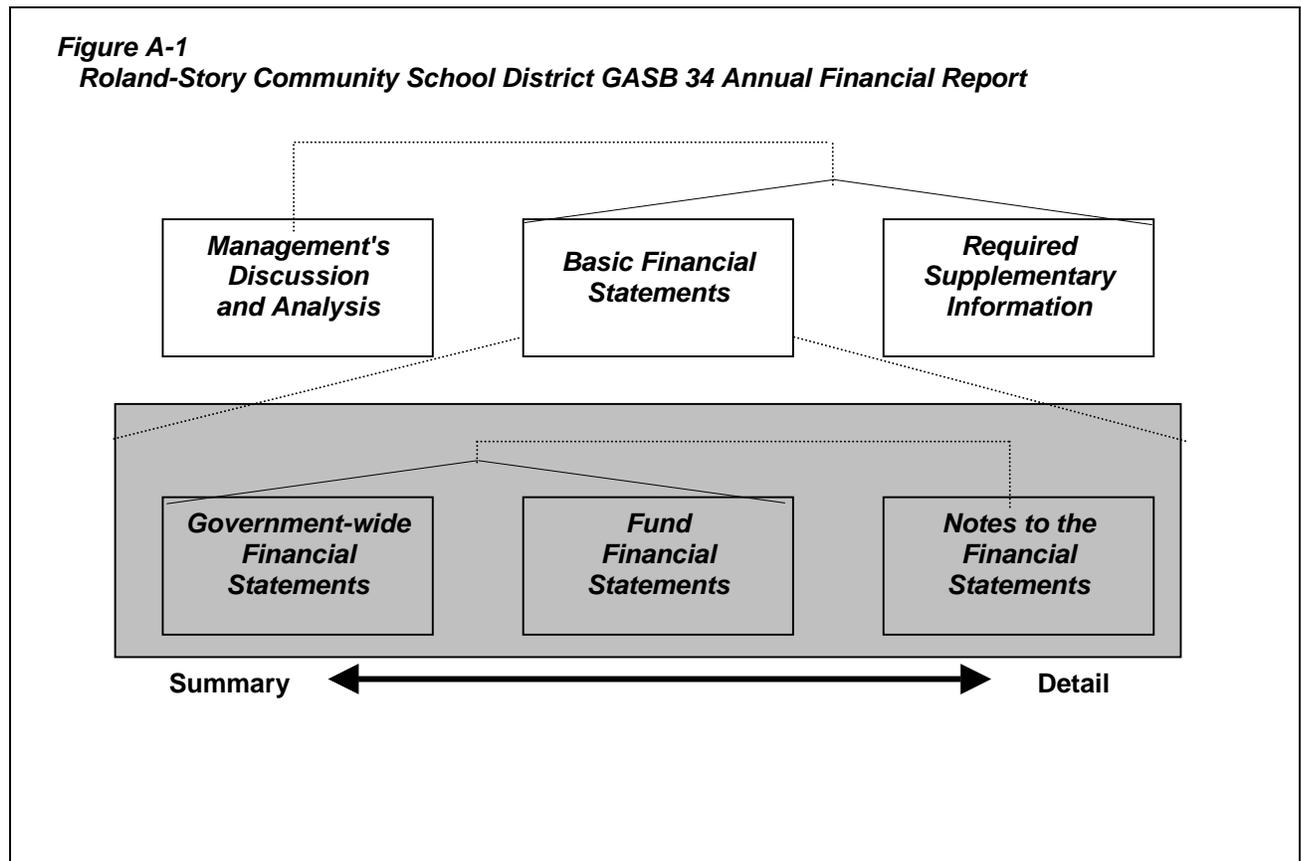


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary 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
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows
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
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
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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net assets are an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health, additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, 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.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Condensed Statement of Net Assets (in thousands of dollars)							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2004-2005
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Current and other assets	8,833	4,496	7	(9)	8,840	4,487	97.01%
Capital assets	7,553	7,084	12	16	7,565	7,100	6.55%
Total assets	16,386	11,580	19	7	16,405	11,587	41.58%
Long-term liabilities	6,157	2,751	-	-	6,157	2,751	123.81%
Other liabilities	3,479	2,885	8	8	3,487	2,893	20.53%
Total liabilities	9,636	5,636	8	8	9,644	5,644	70.87%
Net Assets:							
Invested in capital assets, net of related debt	5,024	4,404	12	16	5,036	4,420	13.94%
Restricted	1,183	701	-	-	1,183	701	68.76%
Unrestricted	543	839	(1)	(17)	542	822	(34.06%)
TOTAL NET ASSETS	6,750	5,944	11	(1)	6,761	5,943	13.76%

The District's combined net assets increased by nearly 14% or approximately \$818,000, over the prior year. The main reason for this increase can be contributed to the Local Option Sales and Service. The district is now collecting funds from all four counties (Boone, Hamilton, Hardin, and Story) in which the school district resides. This increase in funds is being used both for bond reduction and maintaining and improving our facilities. The largest portion, which comes from Story County, was borrowed against for the High School Athletic Addition and possible improvements in locker facilities at the Middle School. Funds from the other three counties are used to reduce our long-term liabilities.

The increase in long-term liabilities of 123.81% is due to the issue of the Local Option Sales and Service Revenue bonds. This issue was for ten years. Funds from this issue also account for the increase in current and other assets of 97%. At the end of the construction of the High School Athletic Facility addition it is expected that these funds will be depleted. The anticipated completion of the project is spring of 2006.

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

	Change in Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	734,904	760,574	276,657	257,284	1,011,561	1,017,858	(.62%)
Operating grants & contributions	708,407	705,876	99,800	103,033	808,207	808,909	(.09%)
Capital grants & contributions	87,655	-	-	-	87,655	-	N/A
General Revenues:							
Property taxes	2,762,495	2,829,069	-	-	2,762,495	2,829,069	(2.35%)
Local option sales tax	1,032,289	697,457	-	-	1,032,289	697,457	48.01%
Unrestricted state grants	3,835,021	3,685,534	-	-	3,835,021	3,685,534	4.06%
Unrestricted investment earnings	21,382	24,420	148	114	21,530	24,534	(12.24%)
Other revenue	4,000	3,656	-	-	4,000	3,656	9.41%
Total Revenues	9,186,153	8,706,586	376,605	360,431	9,562,758	9,067,017	5.47%

Expenses:							
Instruction	5,603,112	5,608,965	-	-	5,603,112	5,608,965	(.10%)
Support services	2,013,511	1,835,751	-	-	2,013,511	1,835,751	9.68%
Non-instructional programs	-	-	397,719	380,145	397,719	380,145	4.62%
Other expenditures	730,095	701,653	-	-	730,095	701,653	4.05%
Total expenses	8,346,718	8,146,369	397,719	380,145	8,744,437	8,526,514	2.56%
Change in net assets before transfers							
	839,435	560,217	(21,114)	(19,714)	818,321	540,503	51.40%
Transfers	(33,074)	(6,583)	33,074	6,583	-	-	0.00%
CHANGE IN NET ASSETS	806,361	553,634	11,960	(13,131)	818,321	540,503	51.40%
Net assets beginning of year	5,943,592	5,389,958	(802)	12,329	5,942,790	5,402,287	10.01%
Net assets end of year	<u>6,749,953</u>	<u>5,943,592</u>	<u>11,158</u>	<u>(802)</u>	<u>6,761,111</u>	<u>5,942,790</u>	<u>13.77%</u>

This being the first year that the District has collected Local Option Sales Tax funds from all four counties is the main reason that you see a 48% increase in revenue in this area. This increase helped to offset the decreases in other areas. Property Tax revenues decreased due to the commitment by the Board to use funds from local option sales tax revenues for debt reduction.

Governmental Activities

Revenues for governmental activities were \$9,186,153 and expenses were \$8,346,718. Although revenues are higher than expenses it is important to remember that the District is still in a pattern of declining enrollment. The higher revenues are due mainly to the increase in local option sales and service tax funds. These funds can only be used for infrastructure, not for instruction. The District is still very watchful of the general fund revenues and expenses which are those that are used for instruction of students.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Total and Net Cost of Governmental Activities
(in thousands of dollars)**

Figure A-5

	Total Cost of Services 2005	Total Cost Of Services 2004	Net Cost of Services 2005	Net Cost of Services 2004
	\$	\$	\$	\$
Instruction	5,603	5,609	4,456	4,438
Support Services	2,014	1,836	2,010	1,831
Non-instructional Programs	-	-	-	-
Other Expenses	730	702	350	410
TOTAL	8,347	8,146	6,816	6,680

- The cost financed by users of the District's programs was \$734,904.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$796,062.
- The net cost of governmental activities was financed with \$2,762,495 in property and other taxes and \$3,835,021 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$376,605 and expenses were \$397,719. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The District has been monitoring the School Nutrition Fund and trying to improve the revenue capabilities. Cost of student and adult meals were increased at the middle of the year by ten cents and at the end of the year the Board also decided to increase them another nickel for 2005-2006. The ala-carte program the District implemented has helped to increase the revenues and keep the necessary increase in meal prices to a minimal amount. The Board did transfer \$32,000 to the School Nutrition Fund to cover the lack of revenue. This was a larger transfer than normal, however no transfer was made in 2003-2004.

INDIVIDUAL FUND ANALYSIS

As previously noted, Roland-Story 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 a combined fund balance of \$5,378,289, well above last year's ending fund balances of \$1,620,718. However, the primary reason for the increase in combined fund balances in fiscal 2005 is due to approximately \$4.1 million of unexpended local option sales and service revenue bond proceeds received in fiscal 2005.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of declining enrollment and increase in special education costs. The General Fund balance decreased from \$899,062 in Fiscal Year 2004 to \$559,867.
- The Capital Projects Fund balance increased due to the sale of \$4,100,000 in local option sales and service revenue bonds during fiscal 2005. Fiscal 2005 ended with a balance of \$4,240,683, consisting primarily of unexpended bond proceeds, which will be expended as the project is completed.
- The Debt Service Fund ended the year with a fund balance of \$162,121. The Debt Service Fund is the area that payments are made for general obligation bonds, capital loan notes, and revenue bonds. The District appropriated \$250,000 in local option sales tax funds to the Debt Service Fund to help in with property tax reduction.
- Non-major governmental funds include the Student Activity Fund, Management Fund and the Physical Plant and Equipment Levy (PPEL) Fund. The major expenses in the Management Fund are for early retirement and District property insurance. The PPEL Fund can be used to purchase buses and building improvements. A new bus was purchased in August 2004 totaling \$57,833. The District also has capital loan notes issued that are paid from the PPEL Fund through June of 2007.

- The Student Activity Fund balance and the PPEL Fund balances showed little change between the two years. The Management Fund balance did show approximately a \$40,000 decrease from 2004 to 2005. This is mainly due to the retirements at the end of Fiscal Year 2004 that were paid out in Fiscal Year 2005.
- The most significant difference in the Non-major governmental funds between 2004 and 2005 is the fact that Debt Service and Capital Projects were reported as major funds in 2005 and included in non-major funds in 2004.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$(802) at June 30, 2004 to \$11,158 at June 30, 2005. For fiscal 2005, the District increased meal prices, resulting in the increase in net assets. The District also continued the ala-carte program, which was implemented in January of 2001. Although the ala-carte program has been a good revenue source for the Nutrition Fund, the Board still felt the need to increase the cost of meals by a nickel at the beginning of the 2005-2006 School Year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Roland-Story Community School District amended its annual budget one time to reflect additional expenditures associated with the High School Athletic Addition capital project activity and increase costs in food and supplies in the Nutrition Fund.

The District's receipts were \$197,912 more than budgeted receipts, a variance of 2.1%. The most significant variance resulted from the District sale of the local option sales and service revenue bonds, which was not anticipated in the original budget.

Total expenditures were less than budgeted, due primarily to the District's budget for the Capital Projects Fund. The District did not begin the High School Athletic Addition as early in the Fiscal Year as it had hoped, and therefore not as much of the project was completed.

It is also the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$7.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 6.54% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$234,785.

The original cost of the District's capital assets was \$9.76 million. Governmental funds account for \$9.69 million, with the remainder of \$0.07 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$645,582 at June 30, 2005, compared to no construction in progress reported at June 30, 2004. This significant increase resulted from construction activity financed by

the issuance of local option sales and service tax revenue bonds and revenue bonds totaling \$4,100,000 in fiscal 2005 for construction of a new High School Athletic Addition.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2004-2005
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Land	243,212	243,212	-	-	243,212	243,212	0.00%
Construction in progress	645,582	-	-	-	645,582	-	N/A
Buildings	6,353,042	6,533,609	-	-	6,353,042	6,533,609	(2.76%)
Improvements	176,057	190,440	-	-	176,057	190,440	(7.55%)
Equipment & Furniture	134,843	116,845	12,231	16,277	147,074	133,122	10.48%
TOTAL	7,552,736	7,084,106	12,231	16,277	7,564,967	7,100,383	6.54%

Long-Term Debt

At June 30, 2005, the District had \$6,119,683 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 122.46% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

In September 2004, the District's Board of Directors authorized the issuance of \$4,100,000 in local option sales and service revenue bonds to pay for construction of a new high school athletic facility addition. Planning for this project started in fiscal 2003 with a discussion between the City of Story City and the District possibly building a joint facility, however after several meetings it was decided not to pursue a joint venture. The District decided to proceed building only the areas the District needed, such as a competition gym and wrestling facilities. The revenue bonds were sold during fiscal 2005.

The District also has \$1,780,000 in general obligation bonds remaining on the refinancing of the bonds for the high school addition in 1990. These bonds will be paid off during fiscal 2009.

The District also has total outstanding Capital Loan Notes payable from the Physical Plant and Equipment Levy Fund of \$215,000 at June 30, 2005. There are two more years remaining on these notes.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage
	2005	2004	Change
	2005	2004	2004-2005
	\$	\$	
General Obligation Bonds	1,780,000	2,215,000	(19.64%)
Local Option Sales and Services	-	-	-
Tax Revenue Bonds	4,100,000	-	N/A

Revenue Bond Anticipation Notes	-	150,000	(100.00%)
Capital Loan Notes	215,000	315,000	(31.75%)
Early Retirement	24,683	71,394	(64.79%)
Total	<u>6,119,683</u>	<u>2,751,394</u>	<u>122.46%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- District enrollment declined for the fifth year in a row in September 2005 16.5 students, or 1.57% of the enrollment of 1,051.9 in 2004-2005. School financing is highly dependent upon student enrollment. This drop in enrollment will decrease the District's funding for fiscal year 2007. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- Although the legislature did pass for fiscal year 2006 an allowable growth rate of 4% with the decrease in enrollment and the Legislature also began phasing out the budget guarantee for districts, Roland-Story received no new monies for fiscal year 2006.
- District facilities have been well maintained over the last several years with the various additions at the three buildings. Completion of the High School Athletic Facility addition will be complete in the spring of 2006. With this project being completed the District will again look at its funding sources and see if it is feasible to begin locker room renovations at the Middle School.
- The District has a one-year contract with the Roland-Story Education Association (RSEA) which included an overall increase in salary and benefits for certified teaching staff of 3.64% for fiscal year 2006. Staff represented by RSEA makeup in wages and benefits 56% of all General Fund expenditures. Settlements with the RSEA have typically set the standard for agreements with other employees in the District. Settlements with employee groups that exceed the rate of growth in state funding will have an adverse impact upon the District's General Fund budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total	Roland- Story Community School District Foundation
	\$	\$	\$	\$
Assets				
Cash and investments	5,605,494	2,016	5,607,510	731,183
Receivables:				
Property tax:				
Delinquent	28,653	-	28,653	-
Succeeding year	2,931,819	-	2,931,819	-
Accounts	10,688	54	10,742	-
Due from other governments	206,412	1,442	207,854	-
Inventories	-	3,193	3,193	-
Bond issue costs	50,358	-	50,358	-
Capital assets, net of accumulated depreciation	7,552,736	12,231	7,564,967	-
Total assets	16,386,160	18,936	16,405,096	731,183
Liabilities				
Accounts payable	829,957	573	830,530	-
Salaries and benefits payable	27,121	288	27,409	-
Accrued interest payable	74,334	-	74,334	-
Deferred revenue:				
Succeeding year property tax	2,547,699	-	2,547,699	-
Other	-	6,917	6,917	-
Long-term liabilities:				
Portion due within one year:				
Bond premium	4,063	-	4,063	-
General obligation bonds payable	455,000	-	455,000	-
Revenue bonds payable	100,000	-	100,000	-
Capital loan notes	105,000	-	105,000	-
Early retirement	24,683	-	24,683	-
Portion due after one year:				
Bond premium	33,350	-	33,350	-
General obligation bonds payable	1,325,000	-	1,325,000	-
Revenue bonds payable	4,000,000	-	4,000,000	-
Capital loan notes	110,000	-	110,000	-
Total liabilities	9,636,207	7,778	9,643,985	-

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total	Roland- Story Community School District Foundation
	\$	\$	\$	\$
Net assets				
Invested in capital assets, net of related debt	5,024,037	12,231	5,036,268	-
Restricted for:				
Scholarships and projects by donors	-	-	-	665,365
Phase III	12,254	-	12,254	-
Gifted and talented program	17,721	-	17,721	-
Management levy	140,614	-	140,614	-
Physical plant and equipment levy	90,702	-	90,702	-
Other special revenue purposes	159,619	-	159,619	-
Debt service	762,169	-	762,169	-
Unrestricted	542,837	(1,073)	541,764	65,818
Total net assets	<u>6,749,953</u>	<u>11,158</u>	<u>6,761,111</u>	<u>731,183</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	3,813,804	415,999	302,516	-
Special instruction	833,874	47,121	48,235	-
Other instruction	955,434	268,443	65,061	-
	<u>5,603,112</u>	<u>731,563</u>	<u>415,812</u>	<u>-</u>
Support services:				
Student services	162,878	-	-	-
Instructional staff services	311,363	-	-	-
Administration services	730,504	-	-	-
Operation and maintenance of plant services	589,869	1,548	-	-
Transportation services	218,897	1,793	-	-
	<u>2,013,511</u>	<u>3,341</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	28,074	-	-	87,655
Long-term debt interest	223,394	-	8,918	-
AEA flowthrough	283,677	-	283,677	-
Depreciation (unallocated)*	194,950	-	-	-
	<u>730,095</u>	<u>-</u>	<u>292,595</u>	<u>87,655</u>
Total governmental activities	8,346,718	734,904	708,407	87,655
Business type activities:				
Non-instructional programs:				
Food service operations	397,719	276,657	99,800	-
Total primary government	8,744,437	#####	808,207	87,655
Component Units:				
Roland-Story Community				
School District Foundation	25,607	345	146,533	-
Total	<u>8,770,044</u>	<u>#####</u>	<u>954,740</u>	<u>87,655</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

<u>Net (Expense) Revenue and Changes in Net Assets</u>			
<u>Primary Government</u>			
<u>Governmental</u>	<u>Business</u>	<u>Total</u>	<u>Component</u>
<u>Activities</u>	<u>Type</u>		<u>Unit</u>
<u>Activities</u>	<u>Activities</u>		
(3,095,289)	-	(3,095,289)	-
(738,518)	-	(738,518)	-
(621,930)	-	(621,930)	-
<u>(4,455,737)</u>	<u>-</u>	<u>(4,455,737)</u>	<u>-</u>
(162,878)	-	(162,878)	-
(311,363)	-	(311,363)	-
(730,504)	-	(730,504)	-
(588,321)	-	(588,321)	-
(217,104)	-	(217,104)	-
<u>(2,010,170)</u>	<u>-</u>	<u>(2,010,170)</u>	<u>-</u>
59,581	-	59,581	-
(214,476)	-	(214,476)	-
-	-	-	-
(194,950)	-	(194,950)	-
<u>(349,845)</u>	<u>-</u>	<u>(349,845)</u>	<u>-</u>
<u>(6,815,752)</u>	<u>-</u>	<u>(6,815,752)</u>	<u>-</u>
-	(21,262)	(21,262)	-
<u>(6,815,752)</u>	<u>(21,262)</u>	<u>(6,837,014)</u>	<u>-</u>
-	-	-	121,271
<u>(6,815,752)</u>	<u>(21,262)</u>	<u>(6,837,014)</u>	<u>121,271</u>
2,299,972	-	2,299,972	-
282,748	-	282,748	-
179,775	-	179,775	-
1,032,289	-	1,032,289	-
3,835,021	-	3,835,021	-
21,382	148	21,530	-
4,000	-	4,000	-
<u>7,655,187</u>	<u>148</u>	<u>7,655,335</u>	<u>-</u>
(33,074)	33,074	-	-
<u>7,622,113</u>	<u>33,222</u>	<u>7,655,335</u>	<u>-</u>
806,361	11,960	818,321	121,271
<u>5,943,592</u>	<u>(802)</u>	<u>5,942,790</u>	<u>609,912</u>
<u>6,749,953</u>	<u>11,158</u>	<u>6,761,111</u>	<u>731,183</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2005

	General Fund	Capital Projects - Local Option Sales Tax	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	648,891	4,380,109	159,431	417,063	5,605,494
Receivables:					
Property tax:					
Delinquent	23,031	-	2,690	2,932	28,653
Succeeding year	2,222,532	-	384,120	325,167	2,931,819
Accounts	9,987	-	-	701	10,688
Due from other governments	45,540	160,872	-	-	206,412
Total assets	<u>2,949,981</u>	<u>4,540,981</u>	<u>546,241</u>	<u>745,863</u>	<u>8,783,066</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	140,743	300,298	384,120	4,796	829,957
Salaries and benefits payable	26,839	-	-	282	27,121
Deferred revenue:					
Succeeding year property tax	2,222,532	-	-	325,167	2,547,699
Total liabilities	<u>2,390,114</u>	<u>300,298</u>	<u>384,120</u>	<u>330,245</u>	<u>3,404,777</u>
Fund balances:					
Reserved for:					
Phase III	12,254	-	-	-	12,254
Gifted and talented program	17,721	-	-	-	17,721
Debt service	-	674,382	162,121	-	836,503
Unreserved reported in:					
General fund	529,892	-	-	-	529,892
Special revenue funds	-	-	-	415,618	415,618
Capital projects funds	-	3,566,301	-	-	3,566,301
Total fund balances	<u>559,867</u>	<u>4,240,683</u>	<u>162,121</u>	<u>415,618</u>	<u>5,378,289</u>
Total liabilities and fund balances	<u>2,949,981</u>	<u>4,540,981</u>	<u>546,241</u>	<u>745,863</u>	<u>8,783,066</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

Total fund balances of governmental funds (Exhibit C)	\$ 5,378,289
<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.	7,552,736
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	(74,334)
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds.	50,358
Long-term liabilities, including bond premiums, bonds payable, revenue bonds, capital loan notes and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(6,157,096)</u>
Net assets of governmental activities (Exhibit A)	<u><u>6,749,953</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Capital Projects - Local Option Sales Tax	Debt Service	Nonmajor Governmental Funds
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,203,249	1,032,289	283,090	280,156
Tuition	383,429	-	-	-
Other	102,432	87,655	3,725	270,425
State sources	4,400,804	-	215	226
Federal sources	133,265	-	-	-
Total revenues	<u>7,223,179</u>	<u>1,119,944</u>	<u>287,030</u>	<u>550,807</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	3,789,542	-	-	23,702
Special instruction	833,874	-	-	-
Other instruction	691,475	-	-	261,745
	<u>5,314,891</u>	<u>-</u>	<u>-</u>	<u>285,447</u>
Support services:				
Student services	162,878	-	-	-
Instructional staff services	311,363	-	-	-
Administration services	726,175	-	-	47,271
Operation and maintenance of plant services	491,031	-	-	97,588
Transportation services	240,359	-	-	-
	<u>1,931,806</u>	<u>-</u>	<u>-</u>	<u>144,859</u>
Other expenditures:				
Facilities acquisition	-	700,469	-	28,948
Long-term debt:				
Principal	-	-	685,000	-
Interest and fiscal charges	-	-	162,114	-
AEA flowthrough	283,677	-	-	-
	<u>283,677</u>	<u>700,469</u>	<u>847,114</u>	<u>28,948</u>
Total expenditures	<u>7,530,374</u>	<u>700,469</u>	<u>847,114</u>	<u>459,254</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(307,195)</u>	<u>419,475</u>	<u>(560,084)</u>	<u>91,553</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Capital Projects - Local Option Sales Tax	Debt Service	Nonmajor Governmental Funds
	\$	\$	\$	\$
Other financing sources (uses):				
Bonds issued	-	4,100,000	-	-
Bond premium	-	40,629	-	-
Accrued interest on bonds issued	-	5,193	-	-
Operating transfers in	-	-	563,389	-
Operating transfers out	(32,000)	(446,131)	-	(117,258)
Total other financing sources (uses)	<u>(32,000)</u>	<u>3,699,691</u>	<u>563,389</u>	<u>(117,258)</u>
Net change in fund balances	(339,195)	4,119,166	3,305	(25,705)
Fund balances beginning of year	<u>899,062</u>	<u>121,517</u>	<u>158,816</u>	<u>441,323</u>
Fund balances end of year	<u><u>559,867</u></u>	<u><u>4,240,683</u></u>	<u><u>162,121</u></u>	<u><u>415,618</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	<u>Total</u>
	\$
Revenues:	
Local sources:	
Local tax	3,798,784
Tuition	383,429
Other	464,237
State sources	4,401,245
Federal sources	133,265
Total revenues	<u>9,180,960</u>
Expenditures:	
Current:	
Instruction:	
Regular instruction	3,813,244
Special instruction	833,874
Other instruction	953,220
	<u>5,600,338</u>
Support services:	
Student services	162,878
Instructional staff services	311,363
Administration services	773,446
Operation and maintenance of plant services	588,619
Transportation services	240,359
	<u>2,076,665</u>
Other expenditures:	
Facilities acquisition	729,417
Long-term debt:	
Principal	685,000
Interest and fiscal charges	162,114
AEA flowthrough	283,677
	<u>1,860,208</u>
Total expenditures	<u>9,537,211</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(356,251)</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	<u>Total</u>
	\$
Other financing sources (uses):	
Bonds issued	4,100,000
Bond premium	40,629
Accrued interest on bonds issued	5,193
Operating transfers in	563,389
Operating transfers out	<u>(595,389)</u>
Total other financing sources (uses)	<u>4,113,822</u>
Net change in fund balances	3,757,571
Fund balances beginning of year	<u>1,620,718</u>
Fund balances end of year	<u><u>5,378,289</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		3,757,571
<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	703,415	
Depreciation expense	<u>(234,785)</u>	468,630
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.		
		685,000
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.		
		(64,496)
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		46,711
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		
		(4,137,413)
Bond issue costs are reported as an expense in the governmental fund financial statements, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.		
		<u>50,358</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>806,361</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2005

	Nonmajor School Nutrition <u>\$</u>
Assets	
Cash and cash equivalents	2,016
Accounts receivable	54
Due from other governments	1,442
Inventories	3,193
Capital assets, net of accumulated depreciation	<u>12,231</u>
Total assets	<u>18,936</u>
Liabilities	
Accounts payable	573
Salaries and benefits payable	288
Deferred revenue	<u>6,917</u>
Total liabilities	<u>7,778</u>
Net assets	
Invested in capital assets, net of related debt	12,231
Unrestricted	<u>(1,073)</u>
Total net assets	<u><u>11,158</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2005

	Nonmajor School Nutrition <u> </u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>276,657</u>
Operating expenses:	
Non-instructional programs:	
Salaries	148,852
Benefits	19,026
Purchased services	4,106
Supplies	220,615
Depreciation	<u>5,120</u>
	<u>397,719</u>
Operating gain (loss)	<u>(121,062)</u>
Non-operating revenue:	
State sources	5,508
Federal sources	94,292
Interest income	148
Total non-operating revenue	<u>99,948</u>
Gain (loss) before capital contributions	(21,114)
Capital contributions	1,074
Transfers in	<u>32,000</u>
Change in net assets	11,960
Net assets beginning of year	<u>(802)</u>
Net assets end of year	<u><u>11,158</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	276,510
Cash payments to employees for services	(168,772)
Cash payments to suppliers for goods or services	(209,787)
Net cash used by operating activities	<u>(102,049)</u>
Cash flows from non-capital financing activities:	
Transfer from General Fund	32,000
State grants received	5,508
Federal grants received	80,022
Net cash provided by non-capital financing activities	<u>117,530</u>
Cash flows from capital and related financing activities:	
Interfund loan	<u>(21,207)</u>
Cash flows from investing activities:	
Interest on investments	<u>148</u>
Net increase (decrease) in cash and cash equivalents	(5,578)
Cash and cash equivalents at beginning of year	<u>7,594</u>
Cash and cash equivalents at end of year	<u><u>2,016</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(121,062)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	14,007
Depreciation	5,120
Decrease (increase) in inventories	354
Decrease (increase) in accounts receivable	(5)
(Decrease) increase in accounts payable	573
(Decrease) increase in salaries and benefits payable	(894)
(Decrease) increase in deferred revenue	(142)
Net cash used in operating activities	<u><u>(102,049)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$14,007 of federal commodities.

During the year ended June 30, 2005 the School Nutrition Fund received \$1,074 of equipment that was purchased by other funds.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

1. Summary of Significant Accounting Policies

Roland-Story Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Roland and Story City, Iowa and the predominately agricultural territory in a portion of Boone, Hamilton, Hardin and Story Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Roland-Story Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Roland-Story Community School District Foundation has been included in the financial statements as a component unit.

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

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.

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.

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 the following investments:

	<u>Fair Value</u>
	\$
Goldman Sachs Financial Square Treasury Obligations Fund	<u>587,456</u>

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk: The investments in Goldman Sachs Financial Square Treasury Obligations Fund are rated Aaa by Moody's Investors Service.

3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
		\$
Debt Service Fund	Special Revenue: Physical Plant and Equipment Levy Fund	117,258
Debt Service Fund	Capital Projects Fund	446,131
Enterprise School Nutrition Fund	Special Revenue: Physical Plant and Equipment Levy Fund	1,074
Enterprise School Nutrition Fund	General Fund	32,000

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

The transfer of \$1,074 represents equipment purchased by the Physical Plant and Equipment Levy Fund for the school Nutrition Program.

4. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	-	645,582	-	645,582
Land	243,212	-	-	243,212
	<u>243,212</u>	<u>645,582</u>	<u>-</u>	<u>888,794</u>
Capital assets being depreciated:				
Buildings	8,454,932	-	-	8,454,932
Improvements other than buildings	287,651	-	-	287,651
Furniture and equipment	709,638	57,833	-	767,471

Total capital assets being deprec.	<u>9,452,221</u>	<u>57,833</u>		<u>9,510,054</u>
Less accumulated depreciation for:				
Buildings	1,921,323	180,567	-	2,101,890
Improvements other than buildings	97,211	14,383	-	111,594
Furniture and equipment	<u>592,793</u>	<u>39,835</u>	-	<u>632,628</u>
Total accumulated depreciation	<u>2,611,327</u>	<u>234,785</u>	-	<u>2,846,112</u>
Total capital assets being depreciated, net	<u>6,840,894</u>	<u>(176,952)</u>	-	<u>6,663,942</u>
Governmental activities capital assets, net	<u>7,084,106</u>	<u>468,630</u>	-	<u>7,552,736</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	63,362	1,074	-	64,436
Less accumulated depreciation	<u>47,085</u>	<u>5,120</u>	-	<u>52,205</u>
Business type activities capital assets, net	<u>16,277</u>	<u>(4,046)</u>	-	<u>12,231</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Other	2,214
Support Services:	
Operation and maintenance of plant services	1,250
Transportation	<u>36,371</u>
	<u>39,835</u>
Unallocated depreciation	<u>194,950</u>
Total depreciation expense – governmental activities	<u>234,785</u>
Business type activities:	
Food services	<u>5,120</u>

5. 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
	\$	\$	\$	\$	\$
General obligation bonds	2,215,000	-	435,000	1,780,000	455,000
Local option sales and services					
Tax revenue bonds	-	4,100,000	-	4,100,000	100,000
Tax revenue bond anticipation notes	150,000	-	150,000	-	-

Capital loan notes	315,000	-	100,000	215,000	105,000
Early retirement	71,394	24,683	71,394	24,683	24,683
Total	<u>2,751,394</u>	<u>4,124,683</u>	<u>756,394</u>	<u>6,119,683</u>	<u>684,683</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be between the ages of fifty-five and sixty-two and must have completed fifteen years of service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on 45% of the current base salary. Early retirement expenditures for the year ended June 30, 2005 totaled \$71,394

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May, 1998			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2006	4.35	455,000	79,120	534,120
2007	4.40	475,000	59,328	534,328
2008	4.50	495,000	38,428	533,428
2009	4.55	355,000	16,153	371,153
		<u>1,780,000</u>	<u>193,029</u>	<u>1,973,029</u>

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 September 2004			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2006	2.00	100,000	132,555	232,555
2007	2.25	390,000	127,168	517,168
2008	3.00	450,000	116,030	566,030
2009	3.20	470,000	101,760	571,760
2010	3.40	495,000	85,825	580,825
2011-2014	3.50-3.60	2,195,000	159,810	2,354,810
		<u>4,100,000</u>	<u>723,148</u>	<u>4,823,148</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 July 1, 2011, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- \$410,000 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 Capital Projects Fund.
- Proceeds from the local option sales and services tax shall be placed in a sinking fund with a trustee. The required amount to be deposited in the sinking fund in any month shall be the equal monthly amount necessary to pay in full the installment of interest coming due on the next interest payment date and the amount necessary to pay in full the installment of principal coming due on the next succeeding principal payment date until the full amount of such installment is on hand. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining after all required payments to the sinking fund may be used for any lawful purpose for which the local option sales tax may be used. The sinking fund is part of the Capital Projects Fund.

Capital Loan Notes

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

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2006	5.35	105,000	11,557	116,557
2007	5.40	110,000	5,940	115,940
		<u>215,000</u>	<u>17,497</u>	<u>232,497</u>

During the year ended June 30, 2005 the District made principal and interest payments totaling \$116,858 under the note agreements.

6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% 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 \$312,856, \$308,612, and \$301,005 respectively, equal to the required contributions for each year.

7. 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 \$54,816 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.

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$283,677 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.

9. Construction Commitment

The District has entered into contracts totaling \$3,252,005 for the construction athletic facilities. As of June 30, 2005 costs of \$449,347 had been incurred against the contracts. The balances remaining at June 30, 2005 will be paid as work on the project progresses.

10. Lease Commitment

The District has entered into an operating lease for copy machines. The minimum lease payments due over the term of lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
	\$
2006	13,212
2007	13,212
2008	13,212
	<u>39,636</u>

REQUIRED SUPPLEMENTARY INFORMATION

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances -
Budget and Actual - 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	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,646,450	276,805	4,923,255	3,811,507	3,811,507	1,111,748
State sources	4,401,245	5,508	4,406,753	5,176,146	5,176,146	(769,393)
Federal sources	133,265	94,292	227,557	372,000	372,000	(144,443)
Total revenues	<u>9,180,960</u>	<u>376,605</u>	<u>9,557,565</u>	<u>9,359,653</u>	<u>9,359,653</u>	<u>197,912</u>
Expenditures:						
Instruction	5,600,338	-	5,600,338	6,111,264	6,111,264	510,926
Support services	2,076,665	-	2,076,665	2,084,000	2,084,000	7,335
Non-instructional programs	-	397,719	397,719	390,000	410,000	12,281
Other expenditures	1,860,208	-	1,860,208	1,338,251	3,500,000	1,639,792
Total expenditures	<u>9,537,211</u>	<u>397,719</u>	<u>9,934,930</u>	<u>9,923,515</u>	<u>12,105,264</u>	<u>2,170,334</u>
Excess (deficiency) of revenues over (under) expenditures	(356,251)	(21,114)	(377,365)	(563,862)	(2,745,611)	2,368,246
Other financing sources (uses) net	<u>4,113,822</u>	<u>33,074</u>	<u>4,146,896</u>	<u>-</u>	<u>4,100,000</u>	<u>46,896</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	3,757,571	11,960	3,769,531	(563,862)	1,354,389	2,415,142
Balance beginning of year	<u>1,620,718</u>	<u>(802)</u>	<u>1,619,916</u>	<u>1,014,456</u>	<u>1,014,456</u>	<u>605,460</u>
Balance end of year	<u><u>5,378,289</u></u>	<u><u>11,158</u></u>	<u><u>5,389,447</u></u>	<u><u>450,594</u></u>	<u><u>2,368,845</u></u>	<u><u>3,020,602</u></u>

ROLAND-STORY 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 modified accrual and accrual basis of accounting. Encumbrances are not recognized on this 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 \$2,181,749.

OTHER SUPPLEMENTARY INFORMATION

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	Levy	\$
Cash and pooled investments	164,249	163,996	88,818	417,063
Receivables:				
Property tax:				
Delinquent	1,048	-	1,884	2,932
Succeeding year	100,000	-	225,167	325,167
Accounts	-	701	-	701
Total assets	265,297	164,697	315,869	745,863
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	4,796	-	4,796
Salaries and benefits payable	-	282	-	282
Deferred revenue:				
Succeeding year property tax	100,000	-	225,167	325,167
Total liabilities	100,000	5,078	225,167	330,245
Fund balances:				
Unreserved reported in:				
Special revenue funds	165,297	159,619	90,702	415,618
Total liabilities and fund balances	265,297	164,697	315,869	745,863

ROLAND-STORY 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	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	100,116	-	180,040	280,156
Other	1,650	268,745	30	270,425
State sources	81	-	145	226
Total revenues	<u>101,847</u>	<u>268,745</u>	<u>180,215</u>	<u>550,807</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	23,702	-	-	23,702
Other instruction	-	261,745	-	261,745
Support services:				
Administration services	47,271	-	-	47,271
Operation and maintenance of plant services	70,570	-	27,018	97,588
Other expenditures:				
Facilities acquisition	-	-	28,948	28,948
Total expenditures	<u>141,543</u>	<u>261,745</u>	<u>55,966</u>	<u>459,254</u>
Excess (deficiency) of revenues over (under) expenditures	(39,696)	7,000	124,249	91,553
Other financing sources (uses):				
Operating transfers out	-	-	(117,258)	(117,258)
Net change in fund balance	(39,696)	7,000	6,991	(25,705)
Fund balances beginning of year	<u>204,993</u>	<u>152,619</u>	<u>83,711</u>	<u>441,323</u>
Fund balances end of year	<u>165,297</u>	<u>159,619</u>	<u>90,702</u>	<u>415,618</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
General athletics	658	12,655	14,540	(1,227)
Interest	7,121	2,779	1,284	8,616
Gifts/RIF	18,395	2,225	1,254	19,366
<u>ELEMENTARY</u>				
Student council	7,655	6,424	7,562	6,517
OCA	1,476	454	305	1,625
Helping hands	362	-	-	362
Pencil project	322	261	240	343
S.N. penny drive	391	-	161	230
<u>MIDDLE SCHOOL</u>				
Vocal music	338	3,048	3,371	15
Instrumental music	969	3,188	3,098	1,059
Student council	6,458	9,524	9,725	6,257
<u>HIGH SCHOOL</u>				
Speech/drama/musical	9,801	12,718	11,251	11,268
Vocal music	16,673	4,667	7,131	14,209
Instrumental music	2,766	3,919	3,359	3,326
Music uniforms	1,875	2,160	838	3,197
Cross country	37	2,035	2,121	(49)
Boys basketball	7,419	9,556	9,288	7,687
Boys football	761	37,087	33,640	4,208
Boys baseball	(211)	4,061	4,792	(942)
Boys track	4,745	5,210	6,179	3,776
Boys golf	-	895	895	-
Wrestling	-	6,328	5,668	660
Girls basketball	3,424	9,493	9,032	3,885
Girls volleyball	9,217	5,261	10,573	3,905
Girls softball	(5,742)	8,334	4,763	(2,171)
Girls track	2,292	6,057	8,349	-
Girls golf	-	944	1,176	(232)
Special needs	346	-	346	-
FFA	7,571	32,069	30,815	8,825
FCCLA	1,367	2,363	2,349	1,381
Student council	6,640	2,212	2,676	6,176
Student senate	(716)	-	-	(716)
Honor Society	-	1,582	1,486	96
HOSA	2,609	3,384	4,933	1,060
Cheerleaders	-	6,159	5,984	175

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Key club	2,088	6,154	6,123	2,119
Norse news	1,005	1,090	288	1,807
Student awards	20,832	3,124	4,037	19,919
Student resale	354	-	-	354
Pop fund	1,682	306	-	1,988
Concessions	8,414	33,892	25,828	16,478
Class of 2007	-	-	67	(67)
Class of 2006	-	16,067	12,146	3,921
Class of 2005	3,225	1,060	4,072	213
	<u>152,619</u>	<u>268,745</u>	<u>261,745</u>	<u>159,619</u>
Total	<u>152,619</u>	<u>268,745</u>	<u>261,745</u>	<u>159,619</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,798,784	3,530,182	3,109,561	2,937,690
Tuition	383,429	399,886	391,073	393,009
Other	464,237	388,606	340,882	336,161
State sources	4,401,245	4,258,205	4,353,376	4,340,674
Federal sources	133,265	129,707	133,669	124,129
Total revenues	<u>9,180,960</u>	<u>8,706,586</u>	<u>8,328,561</u>	<u>8,131,663</u>
Expenditures:				
Instruction:				
Regular instruction	3,813,244	3,899,273	3,862,907	3,909,755
Special instruction	833,874	982,501	845,529	838,974
Other instruction	953,220	740,476	777,024	671,199
Support services:				
Student services	162,878	191,352	166,789	162,969
Instructional staff services	311,363	189,071	191,127	165,351
Administration services	773,446	684,819	640,429	653,782
Operation and maintenance of plant services	588,619	523,648	515,042	474,710
Transportation services	240,359	229,487	172,398	208,210
Non-instructional programs	-	6,583	231	217
Other expenditures:				
Facilities acquisition	729,417	456,497	20,409	1,003
Long-term debt:				
Principal	685,000	741,857	454,946	428,984
Interest and other charges	162,114	146,334	237,904	265,028
AEA flowthrough	283,677	287,754	306,623	306,748
Total expenditures	<u>9,537,211</u>	<u>9,079,652</u>	<u>8,191,358</u>	<u>8,086,930</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
Roland-Story Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Roland-Story Community School District 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 September 16, 2005. We did not issue an opinion on the Roland-Story Community School District Foundation, which is included as a discretely presented component unit, because we were not engaged to, and did not audit the Foundation. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Roland-Story 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 items 05-I-A, 05-I-B and 05-I-C are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Roland-Story Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 Roland-Story Community School District and other parties to whom Roland-Story 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 Roland-Story Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

September 16, 2005

ROLAND-STORY 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 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.

05-I-B Supporting Documentation: We noted two credit card payments totaling \$118 and one \$50 reimbursement to an employee that were not supported by detailed receipts.

Recommendation: All District payments should have detailed supporting documentation.

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

Conclusion: Response accepted.

05-I-C Athletic Gate Admissions: The gate admissions and change box are not reconciled with prenumbered tickets.

Recommendation: The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of prenumbered tickets and the reconciling of the change box and admissions to the number of tickets issued. This initial cash count should then be reconciled to the bank deposit and receipts journal.

District Response: We will review our current operating procedures to see how a ticket system could be implemented at our athletic facilities.

Conclusion: Response accepted.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

- 05-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- 05-II-B Certified Budget: Expenditures for the year ended June 30, 2005, did not exceed the amounts budgeted.
- 05-II-C Questionable Disbursements: We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 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: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Elaine Tekippe, school board member	Member of board of directors of local bank	
Craig Anderson, school board member, is also owner of Anderson Meat and Grocery.	Food	108

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

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

Conclusion: Response accepted.

- 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 which had not been approved by the Board were noted.
- 05-II-H Certified Enrollment: Line one of the September 2004 certified enrollment form was understated by four students. Ten students taking writing classes at a community college were omitted from the calculations for supplemental weighting on line 12 of the September 2003 certified enrollment. The calculations for line 12 also, incorrectly, included two open enrollment in students.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

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

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

District Response: We will contact these departments.

Conclusion: Response accepted.

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

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 Construction Contract Change Orders: We noted that the Board of Directors did not approve change orders.

Recommendation: All contract changes should be approved by the Board and documented in the minutes.

District Response: All future contract changes will be documented in the minutes.

Conclusion: Response accepted.