

ROCKWELL CITY/LYTTON

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

June 30, 2006

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Independent Auditor's Report

To the Board of Education of
Rockwell City/Lytton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rockwell City/Lytton Community School District, Rockwell City, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rockwell City/Lytton Community School District at June 30, 2006, 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 22, 2006, on our consideration of Rockwell City/Lytton 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 35 through 36 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 Rockwell City/Lytton Community School District's basic financial statements. The financial statements for the three years ended June 30, 2005, (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, 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 22, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Rockwell City/Lytton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,891,866 in fiscal 2005 to \$3,992,321 in fiscal 2006, while General Fund expenditures increased from \$4,061,253 in fiscal 2005 to \$4,167,813 in fiscal 2006. The District's General Fund balance decreased from \$455,963 in fiscal 2005 to \$281,963 in fiscal 2006, a 38% decrease.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2006. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2006. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Rockwell City/Lytton 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 Rockwell City/Lytton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Rockwell City/Lytton Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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 funds.

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

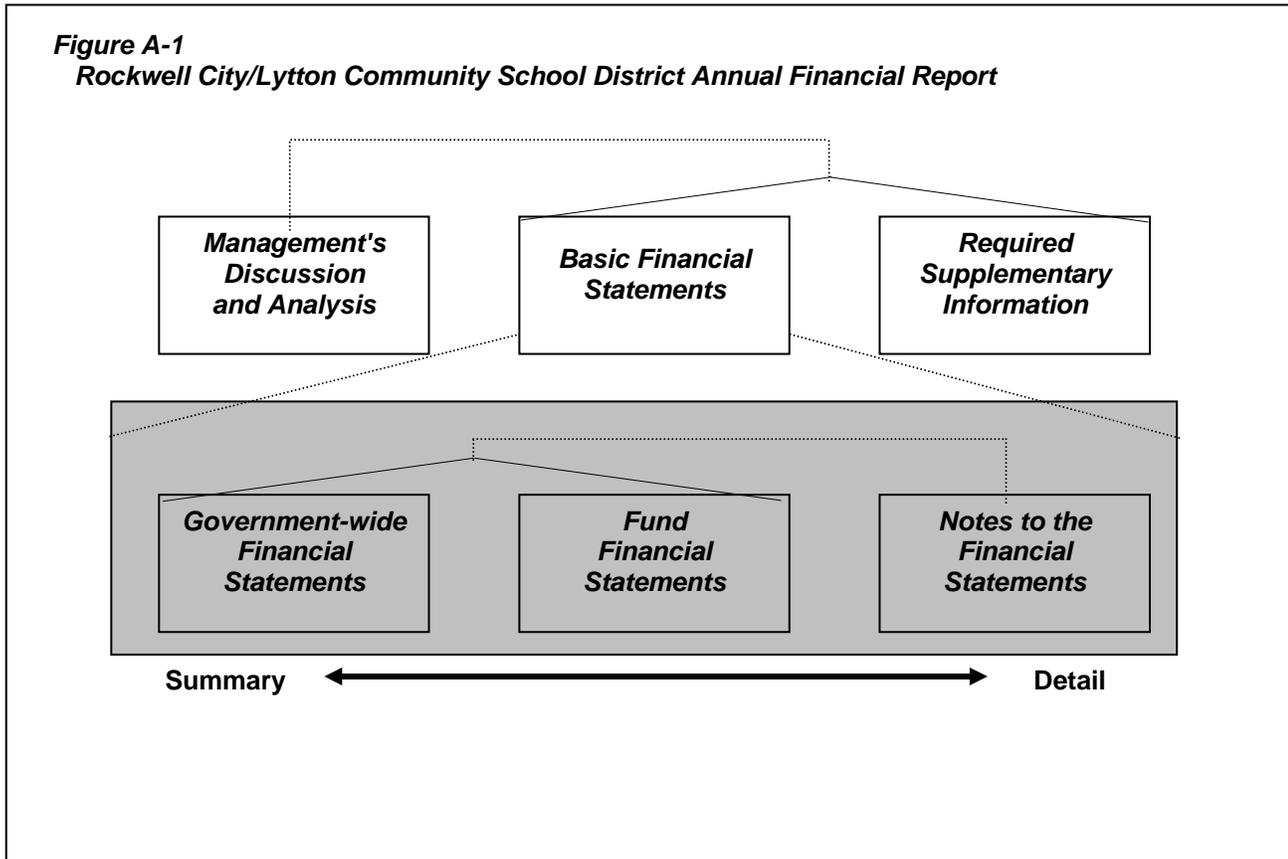


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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 three kinds of funds:

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

- 1) *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.
- 2) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.

- Agency Funds – These are funds through which the District administers and accounts for certain monies on behalf of other entities.

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations 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, 2006 compared to June 30, 2005.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2005	2006	2005	2006	2005	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	2,186,959	2,660,413	25,670	22,464	2,212,629	2,682,877	21%
Capital assets	1,849,209	1,771,157	29,004	24,909	1,878,213	1,796,066	-4%
Total assets	4,036,168	4,431,570	54,674	47,373	4,090,842	4,478,943	9%
Long-term liabilities	16,982	15,745	-	-	16,982	15,745	-7%
Other liabilities	1,455,434	1,940,993	2,077	2,040	1,457,511	1,943,033	33%
Total liabilities	1,472,416	1,956,738	2,077	2,040	1,474,493	1,958,778	33%
Net Assets:							
Invested in capital assets, net of related debt	1,849,209	1,771,157	29,004	24,909	1,878,213	1,796,066	-4%
Restricted	358,300	442,168	-	-	358,300	442,168	23%
Unrestricted	356,243	261,507	23,593	20,424	379,836	281,931	-26%
TOTAL NET ASSETS	2,563,752	2,474,832	52,597	45,333	2,616,349	2,520,165	-4%

The District's combined net assets decreased by nearly 4%, or approximately \$96,184, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$83,868 or 23% over the prior year. The increase was primarily a result of sales tax revenues that are being accumulated for future capital improvements or equipment purchases.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$97,905, or 26%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2006 and 2005.

Figure A-4

	Change in Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	
Revenues							
Program Revenues:							
Charges for services	434,232	584,095	134,075	120,894	568,307	704,989	24%
Operating grants & contributions and restricted interest	569,763	547,481	96,403	101,096	666,166	648,577	-3%
Capital grants & contributions and restricted interest	-	25,000	-	-	-	25,000	100%
General Revenues:							
Property taxes	1,318,787	1,427,833	-	-	1,318,787	1,427,833	8%
Income Surtax	-	-	-	-	-	-	0%
Local option sales tax	245,565	259,675	-	-	245,565	259,675	6%
Unrestricted state grants	1,781,424	1,745,030	-	-	1,781,424	1,745,030	-2%
Unrestricted investment earnings	14,731	27,584	42	75	17,473	27,659	58%
Other revenue	474	14,081	-	-	474	14,081	2871%
Total Revenues	4,364,976	4,630,779	230,520	222,065	4,595,496	4,852,844	6%
Expenses:							
Instruction	2,898,337	3,002,017	-	-	2,898,337	3,002,017	4%
Support services	1,331,341	1,414,554	-	-	1,331,341	1,414,554	6%
Non-instructional programs	396	299	228,443	229,329	228,839	229,628	0%
Other expenditures	438,622	302,829	-	-	438,622	302,829	-31%
Total expenses	4,668,696	4,719,699	228,443	229,329	4,897,139	4,949,028	1%
Change in net assets before Transfers	(303,720)	(88,920)	2,077	(7,264)	(301,643)	(96,184)	68%
Transfers	-	-	(2,843)	-	(2,843)	-	
CHANGE IN NET ASSETS	(303,720)	(88,920)	(766)	(7,264)	(304,486)	(96,184)	68%
Net assets beginning of year	2,867,472	2,563,752	53,363	52,597	2,920,835	2,616,349	-10%
Net assets end of year	2,563,752	2,474,832	52,597	45,333	2,616,349	2,520,165	-4%

Property tax and unrestricted state grants account for 65% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,630,779 and expenses were \$4,719,699.

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.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2005 \$	Total Cost of Services 2006 \$	Net Cost of Services 2005 \$	Net Cost of Services 2006 \$
Instruction	2,898,337	3,002,017	2,057,180	2,073,165
Support Services	1,331,341	1,414,554	1,330,014	1,375,012
Non-instructional Programs	396	299	396	299
Other Expenses	438,622	302,829	277,111	114,647
TOTAL	<u>4,668,696</u>	<u>4,719,699</u>	<u>3,664,701</u>	<u>3,563,123</u>

- The cost financed by users of the District's programs was \$584,095.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$572,481.
- The net cost of governmental activities was financed with \$1,687,508 in property and other taxes and \$1,745,030 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$222,065 and expenses were \$229,329. 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.

INDIVIDUAL FUND ANALYSIS

As previously noted, Sample 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 \$719,420, below last year's ending fund balances of \$731,525.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.

- The General Fund balance decreased from \$455,963 to \$281,637, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$8,686 in fiscal 2005 to a deficit of 16,885 in fiscal 2006. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund in order to reduce the prior year deficit and improve the financial condition of the fund.
- The Capital Projects Fund balance increased. The District ended fiscal 2005 with a fund balance of \$149,818. Fiscal 2006 ended with a balance of \$324,435.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$52,597 at June 30, 2005 to \$45,333 at June 30, 2006, representing a decrease of approximately 14%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$101,768 less than budgeted receipts, a variance of 2%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures function due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$1.8 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 decrease of 4% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$166,170.

The original cost of the District's capital assets was \$6.8 million. Governmental funds account for \$6.78 million, with the remainder of \$0.02 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2005-2006
	2005	2006	2005	2006	2005	2006	
	\$	\$	\$	\$	\$	\$	
Land	92,000	92,000	-	-	92,000	92,000	0%
Construction in progress	-	-	-	-	-	-	
Buildings	962,514	972,324	-	-	962,514	972,324	1%
Improvements	680,291	599,735	-	-	680,291	599,735	-12%
Equipment & Furniture	114,404	107,098	29,004	24,909	143,408	132,007	8%
TOTAL	1,849,209	1,771,157	29,004	24,909	1,878,213	1,796,066	-4%

Long-Term Debt

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage Change 2005-2006
	2005	2006	
	\$	\$	
Termination benefits	-	12,500	0%
Compensated absences	16,982	3,245	-81%
	<u>16,982</u>	<u>15,745</u>	<u>-7%</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:

- School financing is highly dependent upon student enrollment. The District's September 2006 enrollment decreased by ten students. This drop in enrollment will decrease the District's funding for fiscal year 2008.
- Although the District has experienced declining enrollment for the past three years, the District expects a slight increase in future enrollment.
- Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

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 Superintendent, Dale Black, 1000 Tonawanda, Rockwell City, Iowa 50579.

BASIC FINANCIAL STATEMENTS

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	764,904	19,409	784,313
Receivables:			
Property tax:			
Delinquent	17,472	-	17,472
Succeeding year	1,674,561	-	1,674,561
Accounts	2,600	155	2,755
Accrued interest	1,058	-	1,058
Due from other governments	199,818	-	199,818
Inventories	-	2,900	2,900
Capital assets, net of accumulated depreciation	1,771,157	24,909	1,796,066
	<u>4,431,570</u>	<u>47,373</u>	<u>4,478,943</u>
Total assets			
Liabilities			
Accounts payable	6,333	-	6,333
Salaries and benefits payable	255,782	-	255,782
Deferred revenue:			
Succeeding year property tax	1,674,561	-	1,674,561
Other	4,317	2,040	6,357
Long-term liabilities:			
Portion due within one year:			
Termination benefits	12,500	-	12,500
Compensated absences	3,245	-	3,245
	<u>1,956,738</u>	<u>2,040</u>	<u>1,958,778</u>
Total Liabilities			
Net assets			
Invested in capital assets, net of related debt	1,771,157	24,909	1,796,066
Restricted for:			
Management levy	64,846	-	64,846
Other special revenue purposes	52,887	-	52,887
Local option sales tax capital projects	324,435	-	324,435
Unrestricted	261,507	20,424	281,931
	<u>2,474,832</u>	<u>45,333</u>	<u>2,520,165</u>
Total net assets			

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular instruction	1,903,528	308,699	281,849	-
Special instruction	483,038	35,658	62,572	-
Other instruction	615,451	231,581	8,493	-
	<u>3,002,017</u>	<u>575,938</u>	<u>352,914</u>	<u>-</u>
Support services:				
Student services	143,896	7,868	5,092	-
Instructional staff services	131,507	-	25,010	-
Administration services	536,818	-	-	-
Operation and maintenance of plant services	384,330	289	-	-
Transportation services	218,003	-	1,283	-
	<u>1,414,554</u>	<u>8,157</u>	<u>31,385</u>	<u>-</u>
Non-instructional programs	<u>299</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	7,083	-	-	25,000
AEA flowthrough	163,182	-	163,182	-
Depreciation (unallocated)*	132,564	-	-	-
	<u>302,829</u>	<u>-</u>	<u>163,182</u>	<u>25,000</u>
Total governmental activities	4,719,699	584,095	547,481	25,000
Business type activities:				
Non-instructional programs:				
Food service operations	<u>229,329</u>	<u>120,894</u>	<u>101,096</u>	<u>-</u>
Total	<u>4,949,028</u>	<u>704,989</u>	<u>648,577</u>	<u>25,000</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>
(1,312,980)	-	(1,312,980)
(384,808)	-	(384,808)
<u>(375,377)</u>	-	<u>(375,377)</u>
<u>(2,073,165)</u>	-	<u>(2,073,165)</u>
(130,936)	-	(130,936)
(106,497)	-	(106,497)
(536,818)	-	(536,818)
(384,041)	-	(384,041)
(216,720)	-	(216,720)
<u>(1,375,012)</u>	-	<u>(1,375,012)</u>
<u>(299)</u>	-	<u>(299)</u>
17,917	-	17,917
-	-	-
<u>(132,564)</u>	-	<u>(132,564)</u>
<u>(114,647)</u>	-	<u>(114,647)</u>
(3,563,123)	-	(3,563,123)
-	(7,339)	(7,339)
<u>(3,563,123)</u>	<u>(7,339)</u>	<u>(3,570,462)</u>
1,427,833	-	1,427,833
259,675	-	259,675
1,745,030	-	1,745,030
27,584	75	27,659
14,081	-	14,081
<u>3,474,203</u>	<u>75</u>	<u>3,474,278</u>
(88,920)	(7,264)	(96,184)
<u>2,563,752</u>	<u>52,597</u>	<u>2,616,349</u>
<u>2,474,832</u>	<u>45,333</u>	<u>2,520,165</u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments				
Other	532,233	104,023	128,648	764,904
Receivables:				
Property tax:				
Delinquent	16,373	-	1,099	17,472
Succeeding year	1,543,445	-	131,116	1,674,561
Accounts	2,600	-	-	2,600
Accrued interest	-	-	1,058	1,058
Interfund receivable	-	95,583	-	95,583
Due from other governments	73,589	126,229	-	199,818
	<u>2,168,240</u>	<u>325,835</u>	<u>261,921</u>	<u>2,755,996</u>
Total assets	<u>2,168,240</u>	<u>325,835</u>	<u>261,921</u>	<u>2,755,996</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	4,532	1,400	401	6,333
Salaries and benefits payable	255,210	-	572	255,782
Interfund payable	79,099	-	16,484	95,583
Deferred revenue:				
Succeeding year property tax	1,543,445	-	131,116	1,674,561
Other	4,317	-	-	4,317
Total liabilities	<u>1,886,603</u>	<u>1,400</u>	<u>148,573</u>	<u>2,036,576</u>
Fund balances:				
Reserved for:				
Unreserved reported in:				
General fund	281,637	-	-	281,637
Special revenue funds	-	-	113,348	113,348
Capital projects funds	-	324,435	-	324,435
Total fund balances	<u>281,637</u>	<u>324,435</u>	<u>113,348</u>	<u>719,420</u>
	<u>2,168,240</u>	<u>325,835</u>	<u>261,921</u>	<u>2,755,996</u>
Total liabilities and fund balances	<u>2,168,240</u>	<u>325,835</u>	<u>261,921</u>	<u>2,755,996</u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

	\$
Total fund balances of governmental funds (Exhibit C)	719,420
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,771,157
Long-term liabilities, including compensated absences and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(15,745)</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,474,832</u></u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,338,099	-	89,734	1,427,833
Local option sales tax	-	259,675	-	259,675
Tuition	210,691	-	-	210,691
Other	151,098	-	251,805	402,903
State sources	2,161,826	-	78	2,161,904
Federal sources	130,607	25,000	-	155,607
Total revenues	<u>3,992,321</u>	<u>284,675</u>	<u>341,617</u>	<u>4,618,613</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,850,518	3,018	37,492	1,891,028
Special instruction	483,038	-	-	483,038
Other instruction	363,058	-	252,393	615,451
	<u>2,696,614</u>	<u>3,018</u>	<u>289,885</u>	<u>2,989,517</u>
Support services:				
Student services	143,896	-	-	143,896
Instructional staff services	127,896	-	3,611	131,507
Administration services	502,855	7,345	40,355	550,555
Operation and maintenance of plant services	343,220	-	39,650	382,870
Transportation services	189,851	-	101	189,952
	<u>1,307,718</u>	<u>7,345</u>	<u>83,717</u>	<u>1,398,780</u>
Non-instructional programs	299	-	-	299
Other expenditures:				
Facilities acquisition	-	67,189	32,168	99,357
AEA flowthrough	163,182	-	-	163,182
	<u>163,182</u>	<u>67,189</u>	<u>32,168</u>	<u>262,539</u>
Total expenditures	<u>4,167,813</u>	<u>77,552</u>	<u>405,770</u>	<u>4,651,135</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(175,492)</u>	<u>207,123</u>	<u>(64,153)</u>	<u>(32,522)</u>
Other financing sources (uses):				
Sales of equipment and real property	1,166	-	19,251	20,417
Operating transfers in	-	-	32,506	32,506
Operating transfers out	-	(32,506)	-	(32,506)
Total other financing sources (uses)	<u>1,166</u>	<u>(32,506)</u>	<u>51,757</u>	<u>20,417</u>
Net change in fund balances	(174,326)	174,617	(12,396)	(12,105)
Fund balances beginning of year	<u>455,963</u>	<u>149,818</u>	<u>125,744</u>	<u>731,525</u>
Fund balances end of year	<u><u>281,637</u></u>	<u><u>324,435</u></u>	<u><u>113,348</u></u>	<u><u>719,420</u></u>

See notes to financial statements.

ROCKWELL CITY/LYTTON 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, 2006

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(12,105)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the year as follows:

Disposal of assets	(8,250)	
Expenditures for capital assets	92,273	
Depreciation expense	<u>(162,075)</u>	(78,052)

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:

Termination benefits	(12,500)	
Compensated absences	<u>13,737</u>	<u>1,237</u>

Changes in net assets of governmental activities (Exhibit B)		<u><u>(88,920)</u></u>
---	--	------------------------

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	19,409
Accounts receivable	155
Inventories	2,900
Capital assets, net of accumulated depreciation	<u>24,909</u>
Total assets	47,373
Liabilities	
Deferred revenue	<u>2,040</u>
Net assets	
Invested in capital assets, net of related debt	24,909
Unrestricted	<u>20,424</u>
Total net assets	<u><u>45,333</u></u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>120,894</u>
Operating expenses:	
Non-instructional programs:	
Salaries	97,211
Benefits	15,750
Purchased services	7,217
Supplies	104,198
Depreciation	4,095
Other	858
	<u>229,329</u>
Operating gain (loss)	<u>(108,435)</u>
Non-operating revenue (expense):	
State sources	3,131
Federal sources	97,965
Interest income	75
Total non-operating revenue	<u>101,171</u>
Change in net assets	(7,264)
Net assets beginning of year	<u>52,597</u>
Net assets end of year	<u><u>45,333</u></u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	120,702
Cash payments to employees for services	(112,960)
Cash payments to suppliers for goods or services	(99,453)
Net cash used by operating activities	<u>(91,711)</u>
Cash flows from non-capital financing activities:	
State grants received	3,131
Federal grants received	86,944
Net cash provided by non-capital financing activities	<u>90,075</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>75</u>
Net increase (decrease) in cash and cash equivalents	(1,561)
Cash and cash equivalents at beginning of year	<u>20,970</u>
Cash and cash equivalents at end of year	<u><u>19,409</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(108,435)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	11,021
Depreciation	4,095
Decrease (increase) in inventories	1,800
Decrease (increase) in accounts receivable	(155)
(Decrease) increase in deferred revenue	<u>(37)</u>
Net cash used in operating activities	<u><u>(91,711)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$11,021 of federal commodities.

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2006

	<u>Agency</u>
	\$
Assets	
Due from others	<u>1,405</u>
Liabilities	
Warrants issued in excess of bank balance	780
Other payables	<u>625</u>
Total liabilities	<u>1,405</u>
Net Assets	<u><u>-</u></u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

1. Summary of Significant Accounting Policies

Rockwell City/Lytton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Rockwell City and Lytton, Iowa and the predominately agricultural territory in a portion of Sac and Calhoun 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, Rockwell City/Lytton Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Rockwell City/Lytton Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be

susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005, through June 30, 2006, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary and governmental funds are recorded as expenses when consumed rather than when purchased or received.

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	3,500
Buildings	3,500
Improvements other than buildings	3,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,500

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

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough

thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 receivables 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 hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the other expenditures function exceeded the amount budgeted

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 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, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	532,124

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

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
Capital Projects Fund	General Fund	79,099
Capital Projects Fund	Nonmajor Governmental: Physical Plant and Equipment Levy Fund	16,484

The Capital Projects Fund loaned the General and Physical Plant and Equipment Levy Funds money for short-term cash flow.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
		\$
Capital Projects Fund	Nonmajor Governmental: Physical Plant and Equipment Levy Fund	32,506

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Capital Assets

Capital assets activity for the year ended June 30, 2006 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				
Land	92,000	-	-	92,000
Capital assets being depreciated:				
Buildings	3,173,780	69,310	35,700	3,207,390
Improvements other than buildings	2,577,693	-	-	2,577,693
Furniture and equipment	881,102	22,963	-	904,065
Total capital assets being deprec.	<u>6,632,575</u>	<u>92,273</u>	<u>35,700</u>	<u>6,689,148</u>

Less accumulated depreciation for:				
Buildings	2,211,266	51,250	27,450	2,235,066
Improvements other than buildings	1,897,402	80,556	-	1,977,958
Furniture and equipment	766,698	30,269	-	796,967
Total accumulated depreciation	<u>4,875,366</u>	<u>162,075</u>	<u>27,450</u>	<u>5,009,991</u>
Total capital assets being depreciated, net	<u>1,757,209</u>	<u>(69,802)</u>	<u>8,250</u>	<u>1,679,157</u>
Governmental activities capital assets, net	<u>1,849,209</u>	<u>(69,802)</u>	<u>8,250</u>	<u>1,771,157</u>
	Balance			Balance End
	Beginning of			of Year
	Year	Increases	Decreases	
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	63,158	-	-	63,158
Less accumulated depreciation	<u>34,154</u>	<u>4,095</u>	<u>-</u>	<u>38,249</u>
Business type activities capital assets, net	<u>29,004</u>	<u>(4,095)</u>	<u>-</u>	<u>24,909</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Support Services:	
Operation and maintenance of plant services	1,450
Transportation	<u>28,051</u>
	29,501
Unallocated depreciation	<u>132,564</u>
Total depreciation expense – governmental activities	<u>162,075</u>
Business type activities:	
Food services	<u>4,095</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006, are summarized as follows:

	Balance			Balance End	Due Within
	Beginning of	Additions	Reductions	of Year	One Year
	Year				
	\$	\$	\$	\$	\$
Compensated absences	16,982	-	13,737	3,245	3,245
Termination benefits	-	12,500	-	12,500	12,500
Total	<u>16,982</u>	<u>12,500</u>	<u>13,737</u>	<u>15,745</u>	<u>15,745</u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least twenty years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2006, the District has obligations to one participant with a total liability of \$12,500. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$0.

7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that 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 salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$151,295, \$135,782, and \$124,072 respectively, equal to the required contributions for each year.

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$163,182 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Deficit Fund Balances

At June 30, 2006 the District had a deficit fund balance of \$16,885 in the Nonmajor Governmental, Physical Plant and Equipment Levy Fund.

11. Related Party Transactions

Jo Grodahl, a board member, is the owner of Agents, Inc. During the year ended June 30, 2006 Rockwell City/Lytton Community School District paid approximately \$54,332 for property, liability and workmen's compensation insurance premiums through this business.

REQUIRED SUPPLEMENTARY INFORMATION

ROCKWELL CITY/LYTTON 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, 2006

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,301,102	120,969	2,422,071	2,154,532	2,154,532	267,539
State sources	2,161,904	3,131	2,165,035	2,555,914	2,555,914	(390,879)
Federal sources	155,607	97,965	253,572	232,000	232,000	21,572
Total revenues	<u>4,618,613</u>	<u>222,065</u>	<u>4,840,678</u>	<u>4,942,446</u>	<u>4,942,446</u>	<u>(101,768)</u>
Expenditures:						
Instruction	2,989,517	-	2,989,517	3,110,000	3,110,000	120,483
Support services	1,398,780	-	1,398,780	1,808,500	1,808,500	409,720
Non-instructional programs	299	229,329	229,628	255,000	255,000	25,372
Other expenditures	262,539	-	262,539	211,347	211,347	(51,192)
Total expenditures	<u>4,651,135</u>	<u>229,329</u>	<u>4,880,464</u>	<u>5,384,847</u>	<u>5,384,847</u>	<u>504,383</u>
Excess (deficiency) of revenues over (under) expenditures	(32,522)	(7,264)	(39,786)	(442,401)	(442,401)	402,615
Other financing sources (uses) net	<u>20,417</u>	<u>-</u>	<u>20,417</u>	<u>-</u>	<u>-</u>	<u>20,417</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(12,105)	(7,264)	(19,369)	(442,401)	(442,401)	423,032
Balance beginning of year	<u>731,525</u>	<u>52,597</u>	<u>784,122</u>	<u>670,492</u>	<u>670,492</u>	<u>113,630</u>
Balance end of year	<u><u>719,420</u></u>	<u><u>45,333</u></u>	<u><u>764,753</u></u>	<u><u>228,091</u></u>	<u><u>228,091</u></u>	<u><u>536,662</u></u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

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 a GAAP basis.

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

During the year ended June 30, 2006, expenditures in the other expenditures function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

Assets	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	
	\$	\$	\$	
Cash and pooled investments	76,819	51,829	-	128,648
Receivables:				
Property tax:				
Delinquent	1,099	-	-	1,099
Succeeding year	80,000	-	51,116	131,116
Accrued interest	-	1,058	-	1,058
Total assets	157,918	52,887	51,116	261,921
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	-	401	401
Salaries and benefits payable	572	-	-	572
Interfund payables	-	-	16,484	16,484
Deferred revenue:				
Succeeding year property tax	80,000	-	51,116	131,116
Total liabilities	80,572	-	68,001	148,573
Fund balances:				
Unreserved reported in:				
Special revenue funds	77,346	52,887	(16,885)	113,348
Total liabilities and fund balances	157,918	52,887	51,116	261,921

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	89,734	-	-	89,734
Other	300	251,505	-	251,805
State sources	78	-	-	78
Total revenues	<u>90,112</u>	<u>251,505</u>	<u>-</u>	<u>341,617</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	17,321	-	20,171	37,492
Other instruction	-	252,393	-	252,393
Support services:				
Instructional staff services	-	-	3,611	3,611
Administration services	18,977	-	21,378	40,355
Operation and maintenance of				
plant services	39,650	-	-	39,650
Transportation services	101	-	-	101
Other expenditures:				
Facilities acquisition	-	-	32,168	32,168
Total expenditures	<u>76,049</u>	<u>252,393</u>	<u>77,328</u>	<u>405,770</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,063</u>	<u>(888)</u>	<u>(77,328)</u>	<u>(64,153)</u>
Other financing sources (uses):				
Sales of real property	-	-	19,251	19,251
Operating transfers in	-	-	32,506	32,506
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>51,757</u>	<u>51,757</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>14,063</u>	<u>(888)</u>	<u>(25,571)</u>	<u>(12,396)</u>
Fund balances beginning of year	<u>63,283</u>	<u>53,775</u>	<u>8,686</u>	<u>125,744</u>
Fund balances end of year	<u><u>77,346</u></u>	<u><u>52,887</u></u>	<u><u>(16,885)</u></u>	<u><u>113,348</u></u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Athletics	5,404	51,163	42,336	(1,937)	12,294
Drama	1,223	677	1,289	-	611
Speech	492	66	115	-	443
Musical	2,382	-	-	-	2,382
Band	436	2,685	2,704	-	417
Band uniforms	116	42	-	-	158
Band trip	10,477	26,652	35,521	-	1,608
Chorus	231	3,978	3,106	-	1,103
Swing choir	99	-	21	-	78
Choir trip	-	5,634	2,843	-	2,791
Cheerleaders	249	354	152	-	451
Drill team	292	5,224	4,276	(95)	1,145
Drill team trip	4,734	11,005	15,834	95	-
Boys basketball	914	8,998	6,174	-	3,738
Football	823	1,131	1,232	-	722
Varsity gold football	1,273	1,618	1,840	-	1,051
Baseball	59	1,810	838	-	1,031
Wrestling	4	-	-	-	4
Shared wrestling	-	3,183	3,926	743	-
Girls basketball	772	1,316	1,588	-	500
Volleyball	594	498	519	-	573
Softball	306	-	-	-	306
Class of 2004	106	-	-	-	106
Class of 2005	2,375	-	2,375	-	-
Class of 2006	1,622	7,040	8,207	-	455
Class of 2007	2,118	11,745	12,788	-	1,075
Class of 2008	431	2,933	1,553	-	1,811
Class of 2009	-	350	128	-	222
FFA	6,480	45,804	45,552	-	6,732
FLA	662	2,060	2,391	-	331
Academic society	26	-	25	-	1
Yearbook	-	9,112	10,306	1,194	-
Art club	111	29	74	-	66
Spanish club	59	-	-	-	59
French club	2	-	-	-	2
Student council	175	7,201	8,605	1,546	317
Revolving	60	11,839	12,615	-	(716)
Target project	-	507	-	-	507
FFA savings	763	12	-	-	775

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Fine arts booster fund	-	25	-	-	25
Investments	-	136	-	-	136
Interest-Activity checking	-	161	-	-	161
MS athletics	5,704	18,687	16,710	(50)	7,631
MS drama	157	92	299	50	-
MS music	57	839	738	-	158
MS yearbook	1,515	1,254	2,315	-	454
MS student council	472	4,587	3,398	(1,546)	115
Ending accrual	-	1,058	-	-	1,058
	<u>53,775</u>	<u>251,505</u>	<u>252,393</u>	<u>-</u>	<u>52,887</u>
Total	<u>53,775</u>	<u>251,505</u>	<u>252,393</u>	<u>-</u>	<u>52,887</u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2006

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
Assets				
Cash	1,010	-	1,010	-
Interest receivable	96	-	96	-
Other receivables	-	1,405	-	1,405
	<u>1,106</u>	<u>1,405</u>	<u>1,106</u>	<u>1,405</u>
Total assets	<u>1,106</u>	<u>1,405</u>	<u>1,106</u>	<u>1,405</u>
Liabilities				
Warrants issued in excess of bank balance	-	780	-	780
Other payables	1,106	-	481	625
	<u>1,106</u>	<u>780</u>	<u>481</u>	<u>1,405</u>
Total liabilities	<u>1,106</u>	<u>780</u>	<u>481</u>	<u>1,405</u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,427,833	1,318,787	1,762,806	1,856,450
Local option sales tax	259,675	245,565	7,137	-
Tuition	210,691	128,190	149,258	192,333
Other	402,903	319,369	306,494	367,067
Intermediate sources	-	1,404	-	8,876
State sources	2,161,904	2,186,918	1,835,604	1,760,030
Federal sources	155,607	164,269	140,762	148,024
Total revenues	<u>4,618,613</u>	<u>4,364,502</u>	<u>4,202,061</u>	<u>4,332,780</u>
Expenditures:				
Instruction:				
Regular instruction	1,891,028	1,875,677	1,816,424	1,750,949
Special instruction	483,038	431,196	476,273	447,655
Other instruction	615,451	593,906	509,610	529,842
Support services:				
Student services	143,896	138,557	156,799	147,733
Instructional staff services	131,507	119,087	123,173	16,226
Administration services	550,555	537,626	514,024	591,083
Operation and maintenance of plant services	382,870	332,561	326,541	346,380
Transportation services	189,952	193,631	238,040	161,720
Non-instructional programs	299	396	421	2,510
Other expenditures:				
Facilities acquisition	99,357	139,194	157,364	48,303
AEA flowthrough	163,182	161,511	155,888	164,761
Total expenditures	<u>4,651,135</u>	<u>4,523,342</u>	<u>4,474,557</u>	<u>4,207,162</u>

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Rockwell City/Lytton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rockwell City/Lytton Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 22, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rockwell City/Lytton 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 06-I-A and 06-I-B are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rockwell City/Lytton 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, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Rockwell City/Lytton 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 22, 2006

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings

June 30, 2006

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings

June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

06-II-A Certified Budget: Expenditures for the year ended June 30, 2006, exceeded the amount budgeted in the other expenditures function.

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

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

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

06-II-C 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.

06-II-D 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>
		\$
Jo Grodahl, Board Member, Owner of Agents, Inc.	Property Insurance	54,332

In accordance with Chapter 279.7A of the Code of Iowa, the transaction with the Board Member does not appear to be a conflict of interest because the contract was competitively bid.

06-II-E 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.

06-II-F Board Minutes. We noted that the board minutes are not always signed. We also noted a few bills in our testing which were not listed in the board minutes.

Recommendation: The board minutes should all be signed and all bills should be listed in the minutes for approval by the board

District Response We will sign all minutes and include all bills in the minutes in the future

Conclusion: Response accepted.

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings

June 30, 2006

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

- 06-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 06-II-H 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.
- 06-II-I Certified Annual Report: The audit field work was performed prior to the date the Certified Annual Report was certified to the Iowa Department of Education.
- 06-II-J Financial Condition: The District has deficit fund balances in the Special Revenue, Property Plant and Equipment Levy Fund of \$16,885; also, the Student Activity Fund has a couple accounts with deficit balances at June 30, 2006.
- Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits.
- District Response: We are working on ways to eliminate the deficits.
- Conclusion: Response accepted.
- 06-II-K Reclassification of Student Activity Fund Accounts: There are some accounts in the Student Activity Fund that may belong more appropriately in other funds.
- Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.
- District Response: We will review the accounts and make any necessary adjustments.
- Conclusion: Response accepted.
- 06-II-L Allocation of Interest: We noted that interest from a pooled bank account is not being allocated to the Management or Capital Projects Funds.
- Recommendation: The District should allocate interest revenue to each fund within a pooled bank account.
- District Response: We will review our procedures and make any necessary adjustments.
- Conclusion: Response accepted.

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings

June 30, 2006

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

06-II-M Travel Allowances: We noted travel allowances were not included on W-2s.

Recommendation: Travel should be documented with detailed records listing date, place, purpose and number of miles driven or dollars spent to avoid having it included in employees W-2 as taxable income.

District Response: We will obtain more detailed accounting for travel allowances paid to employees.

Conclusion: Response accepted.

06-II-N Physical Plant and Equipment Levy Fund: We noted that expenditures from this fund included some purchases for maintenance or individual items of equipment with a cost of less than \$500.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund.

District Response: We will monitor the expenditures from this fund in the future to assure that only allowable expenditures are made from this fund.

Conclusion: Response accepted.

06-II-O Public Hearing: The Code of Iowa requires that schools hold a public hearing for all capital improvements with a cost exceeding \$25,000. We noted that the Board approved a capital improvement without holding a public hearing.

Recommendation: The District should hold public hearings for all capital projects with cost in excess of \$25,000.

District Response: We will do this in the future.

Conclusion: Response accepted.