

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rockwell-Swaledale Community School District, Rockwell, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rockwell-Swaledale Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2008, on our consideration of Rockwell-Swaledale Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rockwell-Swaledale Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

March 29, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Rockwell-Swaledale Community School District provides this discussion and analysis of the District's financial performance and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,201,065 in fiscal year 2006 to \$3,330,881 in fiscal year 2007. General Fund expenditures also increased from \$3,235,395 in fiscal 2006 to \$3,239,958 in fiscal 2007. This resulted in an increase of \$90,922 in the General Fund balance from \$218,402 in fiscal 2006 to \$309,324 in fiscal 2007 or a 41.7% increase in fund balance.
- The increase in General Fund revenues was attributable to tax.
- The District's major remodeling projects have been completed, but we continue to use the money generated from the Local Option Sales Tax to make improvements to the buildings.

**USING THIS ANNUAL REPORT**

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

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

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

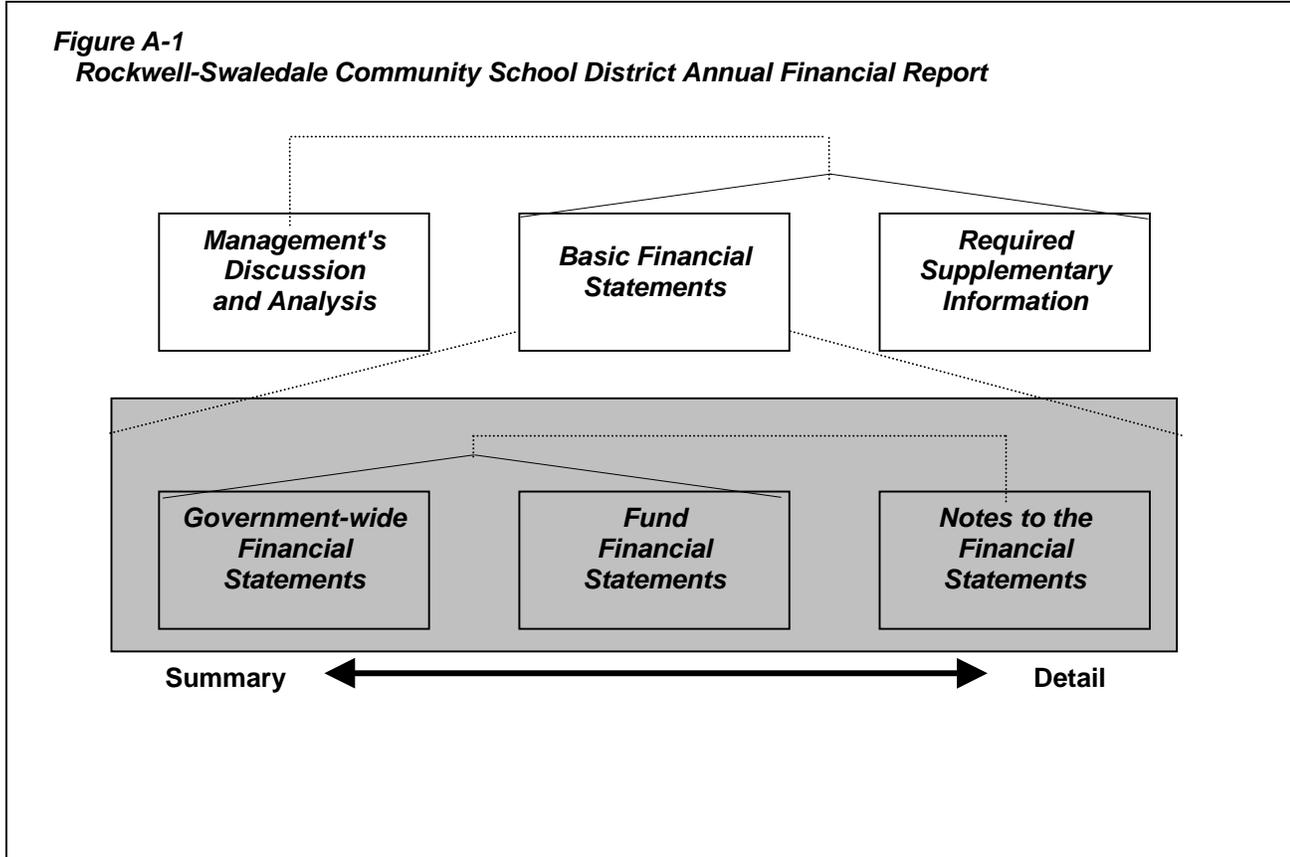


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

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

## GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

## FUND FINANCIAL STATEMENTS

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

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

The School District has three kinds of funds:

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

- The School District's governmental funds include the General Fund, Management Fund, Student Activity Fund, Physical Plant and Equipment Levy, Debt Service Fund and Capital Projects Fund.
- The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

- The School District’s enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The School District currently has one enterprise fund, the School Nutrition Fund.
- The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets, and a statement of cash flows.

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

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

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

Figure A-3 below provides a summary of the District’s net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	2,707,099	2,708,795	(15,538)	(25,339)	2,691,561	2,683,456	0%
Capital assets	3,526,964	3,486,554	9,054	9,999	3,536,018	3,496,553	1%
<b>Total assets</b>	<b>6,234,063</b>	<b>6,195,349</b>	<b>(6,484)</b>	<b>(15,340)</b>	<b>6,227,579</b>	<b>6,180,009</b>	<b>8%</b>
Long-term liabilities	1,886,548	2,046,331	0	0	1,886,548	2,046,330	-8%
Other liabilities	1,558,637	1,749,243	274	2,328	1,558,911	1,751,571	-11%
<b>Total liabilities</b>	<b>3,445,185</b>	<b>3,795,573</b>	<b>274</b>	<b>2,328</b>	<b>3,445,459</b>	<b>3,797,901</b>	<b>-9%</b>
Net Assets:							
Invested in capital assets, net of related debt	1,796,964	1,536,554	9,054	9,999	1,806,018	1,546,553	17%
Restricted	719,908	657,060	0	0	719,908	657,060	10%
Unrestricted	272,006	206,162	(15,812)	(27,667)	256,194	178,495	44%
<b>TOTAL NET ASSETS</b>	<b>2,788,878</b>	<b>2,399,776</b>	<b>(6,758)</b>	<b>(17,668)</b>	<b>2,782,120</b>	<b>2,382,108</b>	<b>17%</b>

The District's combined net assets increased by nearly 17%, or approximately \$400,012, 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. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$62,848 or 10% over the prior year. The increase was primarily a result of required reserve accounts for debt service and increases in the PPEL and Capital Project's fund balances due to a completion of major projects funded from those funds. Income in these funds is building to finance other projects.

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 – increased approximately \$77,699, or 44%. This increase in unrestricted net assets was a result, in part, of the increase in the Nutrition Fund balance due to increased prices and decreased expenditures. The additional increase is due to additional sharing with SCMT and also sharing superintendent duties with Central Springs.

Figure A-4 shows the change in net assets for the years ended June 30, 2007 and 2006.

Figure A-4

	Change in Net Assets						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	
Revenues							
Program Revenues:							
Charges for services and sales	343,323	325,797	101,936	97,793	445,259	423,590	5%
Operating grants & contributions	413,445	384,661	52,090	50,040	465,535	434,701	7%
Capital gains & contributions	25,000	0			25,000	0	100%
General Revenues:							
Property taxes	1,403,866	1,375,754			1,403,866	1,375,754	2%
Income Surtax	98,167	85,932			98,167	85,932	14%
Local option sales and service	432,102	414,136			432,102	414,136	4%
Unrestricted state grants	1,438,888	1,374,729			1,438,888	1,374,729	5%
Unrestricted investment earnings	26,642	21,927			26,642	21,927	22%
Other revenue	41,832	27,650			41,832	27,650	51%
<b>Total Revenues</b>	<b>4,223,265</b>	<b>4,010,586</b>	<b>154,026</b>	<b>147,833</b>	<b>4,377,291</b>	<b>4,158,419</b>	<b>5%</b>
Program Expenses:							
Instruction	2,319,752	2,168,280			2,319,752	2,168,280	7%
Support services	1,194,144	1,181,650			1,194,144	1,181,650	1%
Non-instructional programs	49	300	143,116	147,012	143,165	147,312	-3%
Other expenditures	320,218	543,208			320,218	543,208	-41%
<b>Total expenses</b>	<b>3,834,163</b>	<b>3,893,438</b>	<b>143,116</b>	<b>147,012</b>	<b>3,977,279</b>	<b>4,040,450</b>	<b>-2%</b>
<b>CHANGE IN NET ASSETS</b>	<b>389,102</b>	<b>117,178</b>	<b>10,910</b>	<b>821</b>	<b>400,012</b>	<b>117,969</b>	<b>239%</b>
Net assets beginning of year	2,399,776	2,282,628	(17,668)	(18,489)	2,382,108	2,264,139	5%
Net assets end of year	2,788,878	2,399,776	(6,758)	(17,668)	2,782,120	2,382,108	17%

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 92% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$4,223,265 and expenses were \$3,834,163. A large increase in revenue was due to increases in LOST money, a \$25,000 Fire Safety Grant the District received plus money received from sharing, income surtax and other revenue.

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.

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>		<b>Change 2006-2007</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	
	\$	\$	\$	\$	
Instruction	2,319,752	2,168,280	1,764,150	1,633,689	8%
Support Services	1,194,144	1,181,650	1,138,648	1,147,631	-8%
Non-instructional Programs	49	300	49	300	-84%
Other Expenses	320,218	543,208	149,548	401,360	-63%
<b>TOTAL</b>	<b>3,834,163</b>	<b>3,893,438</b>	<b>3,052,395</b>	<b>3,182,980</b>	<b>-4%</b>

- The cost financed by users of the District’s programs was \$343,323.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$413,445.
- The net cost of governmental activities was financed with \$1,403,866 in property taxes, \$432,102 in local option sales tax, \$98,167 in income surtax and \$1,438,888 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$154,026 and expenses were \$143,116. The District’s business type activities include the School Nutrition Fund. Revenues are comprised of charges for meals and federal and state reimbursements.

The Nutrition Fund made significant gains eliminating its deficit and will continue with these practices for next year in an attempt to continually operate in the black.

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT’S FUNDS**

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,096,886 well above last year’s ending fund balances of \$919,081.

## **Governmental Fund Highlights**

The School District's increasing General Fund financial position is the result of sharing classes with SCMT and early retirements for positions that were not replaced. Declining enrollment and no new money have resulted in expenditures being cut to the bare minimum. The District continues to share several programs with Sheffield-Chapin and work toward whole-grade sharing. Despite these efforts, insurance rates, salaries and benefits, and maintenance costs continue to rise with little or no new money to cover the costs.

The General Fund expenditures for negotiated salaries increased by \$60,908 in 2006-2007 as compared to \$67,201 for 2007-2008. There was a 0% increase for 07-08 in insurance premiums and the District settled for a total package of 4.24%. With a higher total package the District will have to look at making cuts in other areas to fund the increase.

The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$102,115 to \$73,369.

The Capital Projects Fund balance increased from \$557,580 to \$649,259. The increase was due to the completion of the two major projects the year before. Income from the Local Option Sales Tax is building for other projects.

The Management Fund balance increased from \$18,479 to \$38,439. The increase reflects budgeting to address early retirement payments.

## **Business-Type Fund Highlights**

The School Nutrition Fund balance increased from (\$17,668) to (\$6,758). This increase resulted from efforts to reduce food and wage and benefit costs. The increase was steady so the district will continue to find ways to reduce the deficit. The program will be evaluated during the 2007-2008 school year to see if further cuts or increases are needed.

## **BUDGETARY HIGHLIGHTS**

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

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

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

## Legal Budgetary Highlights

The School District's total actual receipts were \$2,750 less than the total budgeted receipts.

Total expenditures were less than budgeted, however, the expenditures did exceed the budget in the support services functions. It is the School District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The School District then manages or controls General Fund spending through its line-item budget. As a result, the School District's certified budget should always exceed the actual expenditures during the year. In the future the district will monitor expenses in all areas and amend the budget when needed.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007 the School district had invested \$3,536,018, 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). Depreciation expense was \$133,622 for Governmental Activities and \$945 for Business-type Activities, which is the School Nutrition Fund.

The District has completed four major construction and renovation projects during the last three years using one-cent sales tax money. Bonds were sold to fund the projects and they are being repaid over ten years. A new entrance was added to the west side of the building, a new industrial technology building was built just north of the school, the old industrial arts area was torn down and new science rooms were built and the instrumental music and art rooms were remodeled, the north end of the high school was completely renovated and the elementary classrooms and bathrooms were renovated. Along with paying back the bonds there is enough money collected annually to fund other projects such as media and office renovation, remodeling the guidance office, new bleachers, and other minor maintenance issues. In September of 2007 the District will ask the voters to approve expanding the use of LOST money to be able to buy buses and computers.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2006-2007
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Land	86,900	86,900			86,900	86,900	0%
Construction in progress	0	151,508			0	151,508	-100%
Buildings	3,262,330	3,020,393			3,262,330	3,020,393	8%
Improvements	27,445	30,692			27,445	30,692	-11%
Equipment & Furniture	150,289	197,062	9,054	9,999	159,343	207,061	-23%
<b>TOTAL</b>	<b>3,526,964</b>	<b>3,486,555</b>	<b>9,054</b>	<b>9,999</b>	<b>3,536,018</b>	<b>3,496,554</b>	<b>1%</b>

### Long-Term Debt

During fiscal year 2007 the District incurred no new debt. The district has ongoing debt in the form of early retirement benefits payable of \$156,548. This debt will be paid off in fiscal year 2012. The district also incurred \$1.95 million dollars in debt for the sale of local option sales tax bonds to finance the building of the vocational technology building, the high school addition and renovation and the elementary renovation. This debt will be repaid with local option sales tax proceeds and will be paid of in fiscal year 2014.

**Figure A-7  
Outstanding Long-Term Obligations**

	<b>Total School District</b>		<b>Percentage</b>
	<b>2007</b>	<b>2006</b>	<b>Change 2006-2007</b>
	\$	\$	
Local Option Sales and Services			
Tax Revenue Bonds	1,730,000	1,950,000	-11%
Early Retirement	156,548	93,330	68%
<b>TOTAL</b>	<b>1,886,548</b>	<b>2,043,330</b>	<b>-8%</b>

### **FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE**

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

The School District has experienced declining enrollment for the past several years. For the 2007-2008 school year the School District will need to levy for the budget guarantee.

In order to fund salary and benefit increases it will cost the district approximately \$62,772 for certified staff. In school year 2006-2007 the district received no new money. In FY 2007-2008 the district will also receive no new money. Settlements will be funded by cash reserves, early retirement savings, sharing, and contract terminations. This will have an adverse effect on the School District's General Fund budget and related fund balance.

The district will begin sharing a Superintendent with Central Springs next year and continues to share many high school programs with the SCMT CSD. We are also very close to a whole grade sharing agreement with SCMT that would go into effect for the 2008-2009 school year.

### **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
Other	482,155	-	482,155
Cash with fiscal agent	468,420	-	468,420
Receivables:			
Property tax:			
Delinquent	28,033	-	28,033
Succeeding year	1,501,759	-	1,501,759
Accounts	12,240	325	12,565
Interfund receivable/payable	19,771	(19,771)	-
Due from other governments	194,721	-	194,721
Inventories	-	3,908	3,908
Capital assets, net of accumulated depreciation	3,526,964	9,054	3,536,018
	<u>6,234,063</u>	<u>(6,484)</u>	<u>6,227,579</u>
<b>Liabilities</b>			
Accounts payable	27,663	-	27,663
Accrued interest payable	29,215	-	29,215
Deferred revenue:			
Succeeding year property tax	1,501,759	-	1,501,759
Other	-	274	274
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	225,000	-	225,000
Termination benefits	74,646	-	74,646
Portion due after one year:			
Revenue bonds payable	1,505,000	-	1,505,000
Termination benefits	81,902	-	81,902
	<u>3,445,185</u>	<u>274</u>	<u>3,445,459</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,796,964	9,054	1,806,018
Restricted for:			
Physical plant and equipment levy	73,370	-	73,370
Other special revenue purposes	26,494	-	26,494
Debt service	439,205	-	439,205
Local option sales tax capital projects	180,839	-	180,839
Unrestricted	272,006	(15,812)	256,194
	<u>2,788,878</u>	<u>(6,758)</u>	<u>2,782,120</u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2007

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
			<b>Interest</b>	<b>Interest</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Governmental activities:				
Instruction:				
Regular	1,560,175	170,416	197,584	-
Special	345,921	-	21,754	-
Other	413,656	137,716	28,132	-
	<u>2,319,752</u>	<u>308,132</u>	<u>247,470</u>	<u>-</u>
Support services:				
Student	45,675	-	-	-
Instructional staff	53,309	-	14,721	-
Administration	616,988	32,821	-	-
Operation and maintenance of plant	263,938	2,370	-	-
Transportation	214,234	-	5,584	-
	<u>1,194,144</u>	<u>35,191</u>	<u>20,305</u>	<u>-</u>
Non-instructional programs	49	-	-	-
Other expenditures:				
Facilities acquisition	47,677	-	-	25,000
Long-term debt interest	60,991	-	20,969	-
AEA flowthrough	124,701	-	124,701	-
Depreciation (unallocated)*	86,849	-	-	-
	<u>320,218</u>	<u>-</u>	<u>145,670</u>	<u>25,000</u>
Total governmental activities	3,834,163	343,323	413,445	25,000
Business type activities:				
Non-instructional programs:				
Food service operations	143,116	101,936	52,090	-
Total	<u>3,977,279</u>	<u>445,259</u>	<u>465,535</u>	<u>25,000</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Total general revenues				
Total general revenues and special items				

**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.

See notes to financial statements.

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2007

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,192,175)	-	(1,192,175)
(324,167)	-	(324,167)
(247,808)	-	(247,808)
<u>(1,764,150)</u>	<u>-</u>	<u>(1,764,150)</u>
(45,675)	-	(45,675)
(38,588)	-	(38,588)
(584,167)	-	(584,167)
(261,568)	-	(261,568)
(208,650)	-	(208,650)
<u>(1,138,648)</u>	<u>-</u>	<u>(1,138,648)</u>
(49)	-	(49)
(22,677)	-	(22,677)
(40,022)	-	(40,022)
-	-	-
(86,849)	-	(86,849)
<u>(149,548)</u>	<u>-</u>	<u>(149,548)</u>
(3,052,395)	-	(3,052,395)
-	10,910	10,910
<u>(3,052,395)</u>	<u>10,910</u>	<u>(3,041,485)</u>
1,301,680	-	1,301,680
102,186	-	102,186
98,167	-	98,167
432,102	-	432,102
1,438,888	-	1,438,888
26,642	-	26,642
41,832	-	41,832
<u>3,441,497</u>	<u>-</u>	<u>3,441,497</u>
3,441,497	-	3,441,497
389,102	10,910	400,012
<u>2,399,776</u>	<u>(17,668)</u>	<u>2,382,108</u>
<u>2,788,878</u>	<u>(6,758)</u>	<u>2,782,120</u>

See notes to financial statements.

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2007

	General Fund	Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments:				
Other	250,200	109,468	122,487	482,155
Cash with fiscal agent	-	468,420	-	468,420
Receivables:				
Property tax:				
Delinquent	24,001	-	4,032	28,033
Succeeding year	1,272,256	-	229,503	1,501,759
Accounts	456	-	11,784	12,240
Interfund receivable	19,771	-	-	19,771
Due from other governments	123,350	71,371	-	194,721
<b>Total assets</b>	<b>1,690,034</b>	<b>649,259</b>	<b>367,806</b>	<b>2,707,099</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	27,663	-	-	27,663
Deferred revenue:				
Succeeding year property tax	1,272,256	-	229,503	1,501,759
Other	80,791	-	-	80,791
Total liabilities	1,380,710	-	229,503	1,610,213
Fund balances:				
Reserved for:				
Debt service	-	468,420	-	468,420
Unreserved reported in:				
General fund	309,324	-	-	309,324
Special revenue funds	-	-	138,303	138,303
Capital projects funds	-	180,839	-	180,839
Total fund balances	309,324	649,259	138,303	1,096,886
<b>Total liabilities and fund balances</b>	<b>1,690,034</b>	<b>649,259</b>	<b>367,806</b>	<b>2,707,099</b>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	1,096,886
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,526,964
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	80,791
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.	(29,215)
Long-term liabilities, including bonds payable and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(1,886,548)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>2,788,878</u></u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,291,775	432,102	201,903	1,925,780
Tuition	130,050	-	-	130,050
Other	77,805	20,969	190,150	288,924
State sources	1,729,945	-	113	1,730,058
Federal sources	101,306	-	25,000	126,306
Total revenues	<u>3,330,881</u>	<u>453,071</u>	<u>417,166</u>	<u>4,201,118</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,499,480	-	53,710	1,553,190
Special	341,195	-	-	341,195
Other	237,501	-	175,456	412,957
	<u>2,078,176</u>	<u>-</u>	<u>229,166</u>	<u>2,307,342</u>
Support services:				
Student	45,675	-	-	45,675
Instructional staff	53,291	-	18	53,309
Administration	525,856	-	30,914	556,770
Operation and maintenance of plant	237,345	-	26,001	263,346
Transportation	174,915	-	5,548	180,463
	<u>1,037,082</u>	<u>-</u>	<u>62,481</u>	<u>1,099,563</u>
Non-instructional programs	-	-	49	49
Other expenditures:				
Facilities acquisition	-	77,800	143,909	221,709
Long-term debt:				
Principal	-	-	220,000	220,000
Interest and fiscal charges	-	-	63,741	63,741
AEA flowthrough	124,701	-	-	124,701
	<u>124,701</u>	<u>77,800</u>	<u>427,650</u>	<u>630,151</u>
Total expenditures	<u>3,239,959</u>	<u>77,800</u>	<u>719,346</u>	<u>4,037,105</u>
Excess (deficiency) of revenues over (under) expenditures	<u>90,922</u>	<u>375,271</u>	<u>(302,180)</u>	<u>164,013</u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Compensation for loss of fixed assets	-	-	13,792	13,792
Operating transfers in	-	-	283,592	283,592
Operating transfers out	-	(283,592)	-	(283,592)
Total other financing sources (uses)	-	(283,592)	297,384	13,792
Net change in fund balances	90,922	91,679	(4,796)	177,805
Fund balances beginning of year	218,402	557,580	143,099	919,081
Fund balances end of year	309,324	649,259	138,303	1,096,886

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		177,805
<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	174,032	
Depreciation expense	<u>(133,622)</u>	40,410
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		8,355
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.		220,000
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.		2,750
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		<u>(60,218)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>389,102</u></u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Fund

June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Accounts receivable	325
Inventories	3,908
Capital assets, net of accumulated depreciation	<u>9,054</u>
<b>Total assets</b>	<u>13,287</u>
<b>Liabilities</b>	
Interfund payable	19,771
Deferred revenue	<u>274</u>
<b>Total liabilities</b>	<u>20,045</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	9,054
Unrestricted	<u>(15,812)</u>
<b>Total net assets</b>	<u><u>(6,758)</u></u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>101,936</u>
Operating expenses:	
Non-instructional programs:	
Salaries	44,081
Benefits	12,992
Purchased services	963
Supplies	84,135
Depreciation	945
	<u>143,116</u>
Operating gain (loss)	<u>(41,180)</u>
Non-operating revenues:	
State sources	1,766
Federal sources	<u>50,324</u>
Total non-operating revenues	<u>52,090</u>
Change in net assets	10,910
Net assets beginning of year	<u>(17,668)</u>
Net assets end of year	<u><u>(6,758)</u></u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	100,028
Cash payments to employees for services	(57,073)
Cash payments to suppliers for goods or services	(75,951)
Net cash used by operating activities	<u>(32,996)</u>
Cash flows from non-capital financing activities:	
State grants received	1,766
Federal grants received	41,621
Net cash provided by non-capital financing activities	<u>43,387</u>
Cash flows from capital and related financing activities:	
General Fund loan repayment	<u>(10,391)</u>
Cash flows from investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u><u>-</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(41,180)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	8,703
Depreciation	945
Decrease (increase) in inventories	444
Decrease (increase) in accounts receivable	146
(Decrease) increase in deferred revenue	(2,054)
Net cash used in operating activities	<u><u>(32,996)</u></u>

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

During the year ended June 30, 2007 the District received \$8,703 of federal commodities.

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	6,572
<b>Liabilities</b>	
	<u>-</u>
<b>Net assets</b>	
Reserved for scholarships	<u><u>6,572</u></u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	8,150
Interest	<u>500</u>
Total additions	8,650
Deductions:	
Support services:	
Scholarships awarded	<u>10,590</u>
Change in net assets	(1,940)
Net assets beginning of year	<u>8,512</u>
Net assets end of year	<u><u>6,572</u></u>

# ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2007

### 1. Summary of Significant Accounting Policies

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

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

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

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

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

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

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

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental, 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 not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, support and other costs.

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

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

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

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

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

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund 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 non-operating 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 financial statements:

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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

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

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

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

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

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

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

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

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

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

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

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or 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 are 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, 2007 expenditures in the support services functional area exceeded the amount budgeted.

**2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 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, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
	<hr/>
	\$
Diversified Portfolio	11,541

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

At June 30, 2007, the District had the following investments:

	<u>Fair Value</u>
	\$
Goldman Sachs Financial Square Treasury Obligations Fund	468,420

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

### 3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Enterprise: School Nutrition Fund	19,771

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

### 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor-Debt Service Fund	Local Option Sales Tax Capital Projects	283,592

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, 2007 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	151,508	-	151,508	-
Land	86,900	-	-	86,900
Total capital assets not being depr.	<u>238,408</u>	<u>-</u>	<u>151,508</u>	<u>86,900</u>
Capital assets being depreciated:				
Buildings	4,374,745	325,540	-	4,700,285
Improvements other than buildings	158,096	-	-	158,096
Furniture and equipment	576,988	-	-	576,988
Total capital assets being deprec.	<u>5,109,829</u>	<u>325,540</u>	<u>-</u>	<u>5,435,369</u>

Less accumulated depreciation for:				
Buildings	1,354,352	83,603	-	1,437,955
Improvements other than buildings	127,405	3,246	-	130,651
Furniture and equipment	379,926	46,773	-	426,699
Total accumulated depreciation	<u>1,861,683</u>	<u>133,622</u>	<u>-</u>	<u>1,995,305</u>
Total capital assets being depreciated, net	<u>3,248,146</u>	<u>191,918</u>	<u>-</u>	<u>3,440,064</u>
Governmental activities capital assets, net	<u>3,486,554</u>	<u>191,918</u>	<u>151,508</u>	<u>3,526,964</u>
	Balance			Balance
	Beginning of			End
	Year	Increases	Decreases	of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	53,346	-	-	53,346
Less accumulated depreciation	<u>43,347</u>	<u>945</u>	<u>-</u>	<u>43,347</u>
Business type activities capital assets, net	<u>9,999</u>	<u>(945)</u>	<u>-</u>	<u>9054</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	6,985
Special	4,726
Other	699
Support Services:	
Operation and maintenance of plant services	592
Transportation	<u>33,771</u>
	46,773
Unallocated depreciation	<u>86,849</u>
Total depreciation expense – governmental activities	<u>133,622</u>
Business type activities:	
Food services	<u>945</u>

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007, are summarized as follows:

	Balance			Balance End	Due Within
	Beginning of	Additions	Reductions	of Year	One Year
	Year				
	\$	\$	\$	\$	\$
Revenue Bonds – LOST	1,950,000	-	220,000	1,730,000	225,000
Termination Benefits	<u>96,330</u>	<u>98,351</u>	<u>38,133</u>	<u>156,548</u>	<u>74,646</u>
Total	<u>2,046,330</u>	<u>98,351</u>	<u>258,133</u>	<u>1,886,548</u>	<u>299,646</u>

## Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least ten 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, 2007, the District has obligations to six participants with a total liability of \$156,548. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$38,133.

## Revenue Bonds Payable

Details of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 2001			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	2.75	225,000	55,336	280,336
2009	3.00	230,000	48,792	278,792
2010	3.40	235,000	41,347	276,347
2011	3.50	245,000	33,065	278,065
2012	3.50	255,000	24,315	279,315
2013-2014	3.60-3.75	540,000	20,238	560,238
		1,730,000	223,093	1,953,093

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

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

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

## **7. Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$114,147, \$109,542, and \$110,726 respectively, equal to the required contributions for each year.

## **8. Risk Management**

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

## **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 \$1240,701 for the year ended June 30, 2007 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, 2007 the District's School Nutrition Fund had a net assets deficit of \$6,758.

REQUIRED SUPPLEMENTARY INFORMATION

ROCKWELL-SWALEDALE 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, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
<b>Revenues:</b>						
Local sources	2,344,754	101,936	2,446,690	2,474,494	2,474,494	(27,804)
State sources	1,730,058	1,766	1,731,824	1,718,090	1,718,090	13,734
Federal sources	126,306	50,324	176,630	190,150	190,150	(13,520)
Total revenues	<u>4,201,118</u>	<u>154,026</u>	<u>4,355,144</u>	<u>4,382,734</u>	<u>4,382,734</u>	<u>(27,590)</u>
<b>Expenditures:</b>						
Instruction	2,307,342	-	2,307,342	2,565,000	2,565,000	257,658
Support services	1,099,563	-	1,099,563	1,074,516	1,074,516	(25,047)
Non-instructional programs	49	143,116	143,165	148,813	148,813	5,648
Other expenditures	630,151	-	630,151	986,705	986,705	356,554
Total expenditures	<u>4,037,105</u>	<u>143,116</u>	<u>4,180,221</u>	<u>4,775,034</u>	<u>4,775,034</u>	<u>594,813</u>
Excess (deficiency) of revenues over (under) expenditures	164,013	10,910	174,923	(392,300)	(392,300)	567,223
Other financing sources (uses) net	<u>13,792</u>	<u>-</u>	<u>13,792</u>	<u>(28,500)</u>	<u>(28,500)</u>	<u>42,292</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	177,805	10,910	188,715	(420,800)	(420,800)	609,515
Balance beginning of year	<u>919,081</u>	<u>(17,668)</u>	<u>901,413</u>	<u>643,606</u>	<u>643,606</u>	<u>257,807</u>
Balance end of year	<u><u>1,096,886</u></u>	<u><u>(6,758)</u></u>	<u><u>1,090,128</u></u>	<u><u>222,806</u></u>	<u><u>222,806</u></u>	<u><u>867,322</u></u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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 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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the support services function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2007

<b>Assets</b>	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity Fund</u>	<u>Physical Plant and Equipment Levy</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Cash and pooled investments	36,448	26,494	59,545	122,487
Receivables:				
Property tax:				
Delinquent	1,991	-	2,041	4,032
Succeeding year	125,000	-	104,503	229,503
Accounts	-	-	11,784	11,784
<b>Total assets</b>	<u>163,439</u>	<u>26,494</u>	<u>177,873</u>	<u>367,806</u>
 <b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	125,000	-	104,503	229,503
Fund balances:				
Unreserved reported in:				
Special revenue funds	<u>38,439</u>	<u>26,494</u>	<u>73,370</u>	<u>138,303</u>
<b>Total liabilities and fund balances</b>	<u>163,439</u>	<u>26,494</u>	<u>177,873</u>	<u>367,806</u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Special Revenue Funds				Total
	Management	Student	Physical	Debt Service	
	Levy	Activity Fund	Plant and Equipment Levy		
\$	\$	\$	\$	\$	
Revenues:					
Local sources:					
Local tax	99,717	-	102,186	-	201,903
Other	5,607	179,594	4,949	-	190,150
State sources	56	-	57	-	113
Federal sources	-	-	25,000	-	25,000
Total revenues	<u>105,380</u>	<u>179,594</u>	<u>132,192</u>	<u>-</u>	<u>417,166</u>
Expenditures:					
Current:					
Instruction:					
Regular	53,710	-	-	-	53,710
Other	-	175,456	-	-	175,456
Support services:					
Instructional staff	18	-	-	-	18
Administration	97	-	30,817	-	30,914
Operation and maintenance of plant	26,001	-	-	-	26,001
Transportation	5,545	-	3	-	5,548
Non-instructional programs	49	-	-	-	49
Other expenditures:					
Facilities acquisition	-	-	143,909	-	143,909
Long-term debt:					
Principal	-	-	-	220,000	220,000
Interest and fiscal charges	-	-	-	63,741	63,741
Total expenditures	<u>85,420</u>	<u>175,456</u>	<u>174,729</u>	<u>283,741</u>	<u>719,346</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,960</u>	<u>4,138</u>	<u>(42,537)</u>	<u>(283,741)</u>	<u>(302,180)</u>
Other financing sources (uses):					
Compensation for loss of fixed assets	-	-	13,792	-	13,792
Operating transfers in	-	-	-	283,592	283,592
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>13,792</u>	<u>283,592</u>	<u>297,384</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>19,960</u>	<u>4,138</u>	<u>(28,745)</u>	<u>(149)</u>	<u>(4,796)</u>
Fund balances beginning of year	<u>18,479</u>	<u>22,356</u>	<u>102,115</u>	<u>149</u>	<u>143,099</u>
Fund balances end of year	<u><u>38,439</u></u>	<u><u>26,494</u></u>	<u><u>73,370</u></u>	<u><u>-</u></u>	<u><u>138,303</u></u>

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
General athletics	530	52,408	53,146	-	(208)
FFA	4,985	32,359	30,775	-	6,569
Student council - operating	848	2,363	2,373	-	838
Student council - junior high	611	-	24	-	587
Drama	287	-	-	-	287
Cheerleaders	1,269	4,198	4,621	-	846
NHS	150	451	73	-	528
Music resale	48	143	1,131	-	(940)
Music trip	3,123	45,336	45,667	-	2,792
Instruments	-	1,250	-	-	1,250
Uniforms	1,529	-	-	-	1,529
Yearbook	4,472	13,600	12,379	40	5,733
Seniors	2,471	987	3,205	-	253
Juniors	-	13,112	9,784	170	3,498
Academic honors banquet	901	683	1,532	-	52
Pop	-	1,172	325	-	847
Interest	12	194	-	-	206
Courtesy	-	4,602	4,602	-	-
Elementary	1,807	4,881	4,709	(170)	1,809
Library	70	1,855	1,867	(40)	18
Accrual entries beginning	(757)	-	(757)	-	-
Total	22,356	179,594	175,456	-	26,494

## ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,925,780	1,875,784	1,890,643	1,726,397
Tuition	130,050	118,950	131,772	146,155
Other	288,924	252,736	303,070	172,859
State sources	1,730,058	1,640,685	1,630,526	1,650,633
Federal sources	126,306	98,069	145,987	176,972
Total revenues	<u>4,201,118</u>	<u>3,986,224</u>	<u>4,101,998</u>	<u>3,873,016</u>
Expenditures:				
Instruction:				
Regular instruction	1,553,190	1,504,806	1,593,603	1,619,017
Special instruction	341,195	380,361	394,498	405,679
Other instruction	412,957	336,882	359,738	340,660
Support services:				
Student services	45,675	43,555	47,943	41,591
Instructional staff services	53,309	67,309	94,539	98,617
Administration services	556,770	545,459	471,597	426,707
Operation and maintenance of plant services	263,346	294,711	293,492	245,665
Transportation services	180,463	248,652	207,166	251,617
Non-instructional programs	49	300	2,590	562
Other expenditures:				
Facilities acquisition	221,709	1,268,363	1,351,510	333,093
Long-term debt:				
Principal	220,000	-	31,484	-
Interest and other charges	63,741	75,368	1,044	-
AEA flowthrough	124,701	121,213	121,562	124,295
Total expenditures	<u>4,037,105</u>	<u>4,886,979</u>	<u>4,970,766</u>	<u>3,887,503</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-Swaledale Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Rockwell-Swaledale Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 29, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rockwell-Swaledale Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Rockwell-Swaledale Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rockwell-Swaledale Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Rockwell-Swaledale Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Rockwell-Swaledale Community School District's financial statements that is more than inconsequential will not be prevented or detected by Rockwell-Swaledale Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Rockwell-Swaledale Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-I-A and 07-I-B are material weaknesses.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 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.

Rockwell-Swaledale Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Rockwell-Swaledale Community School District's responses and, accordingly, we express no opinion on them.

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

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

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

March 29, 2008

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

07-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, preparing and posting general journal entries, 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.

07-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

07-II-A Certified Budget: Expenditures for the year ended June 30, 2007, exceeded the amount budgeted in the support services 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.

07-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.

07-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.

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

07-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.

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

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

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

07-II-I Certified Annual Report: The audit field work was conducted prior to the date the Certified Annual Report was certified to the Iowa Department of Education.

07-II-J Deficit Balance: The District has a deficit net assets balance in the Enterprise, School Nutrition Fund of \$6,758.

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

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

Conclusion: Response accepted.