

ROLAND-STORY 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
Roland-Story Community School District:

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Roland-Story Community School District 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 reports dated November 2, 2007, on our consideration of Roland-Story Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 39 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Roland-Story Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006, (which are not presented herein). For 2006, 2005 and 2004 we disclaimed an opinion on the discretely presented component unit and we issued unqualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information. 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

November 2, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Roland-Story Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2007. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

2007 FINANCIAL HIGHLIGHTS

- The General Fund ending fund balance increased from \$341,734 in Fiscal Year 2006 to \$539,905 due primarily to the increase in net open enrollment. Even though the increase in net open enrollment into the district helped to provide some immediate addition funds for the District it is still necessary to be cautious with spending. The overall certified enrollment still is declining. In Fiscal Year 2006 the certified enrollment which determines the funding for the next school year decreased 21.8 students or approximately \$100,000.
- This was the first time in several years that the district has determined that it was necessary to file for the ISCAP (Iowa School Cash Anticipation Program). Based on the projected cash flow the district would possibly need to borrow funds in September or October 2007 to cover expenses until state aid was received. This is due to the declining enrollment over the past several years.
- The District borrowed \$775,000 in Sales Tax Revenue Bonds to use in the construction of a new Middle School Multi-purpose Room. The total cost of the project is anticipated to be approximately 1.9 million dollars. The additional funding for the project was from the Sales Tax Revenue Bonds which were sold previously for the High School Gym addition and the Middle School Multi-purpose Room. It is anticipated that completion of the project will be sometime in November 2007.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

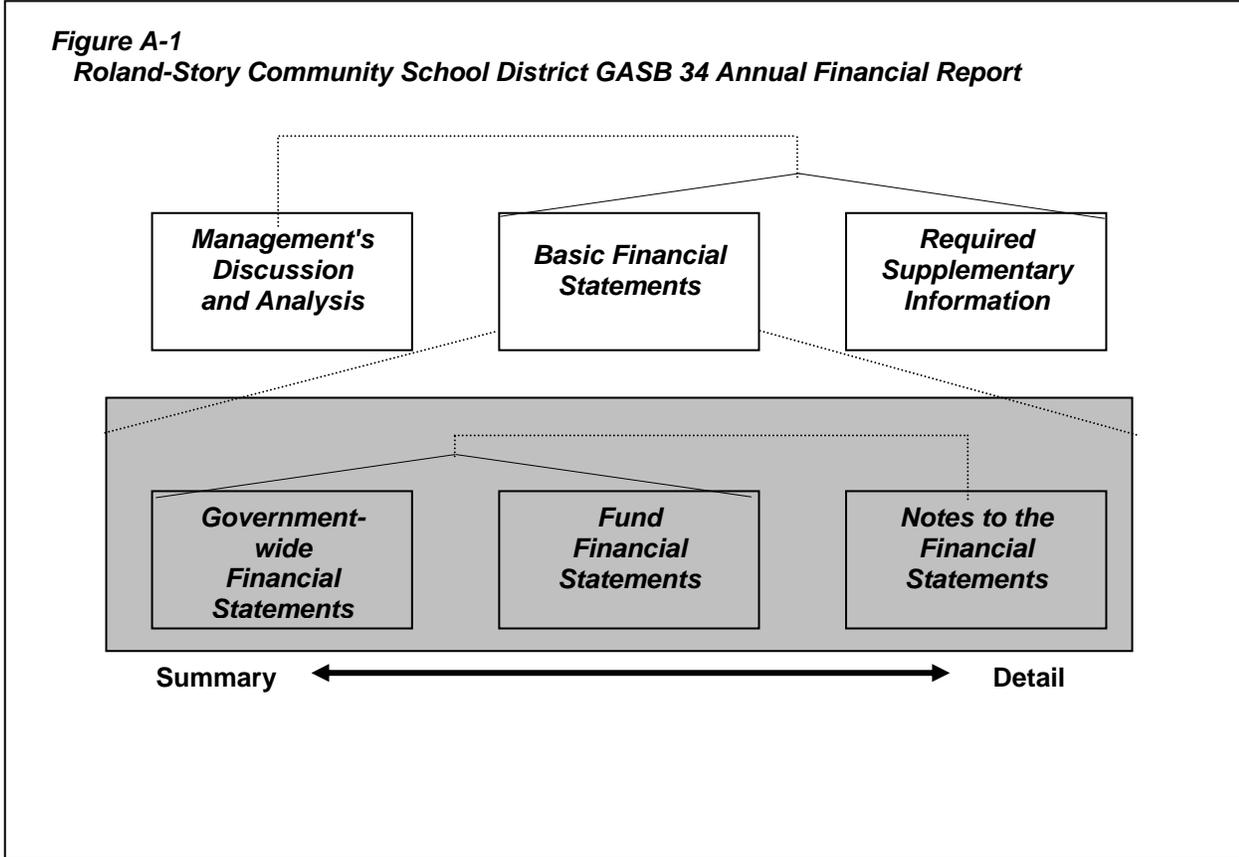


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds: *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.

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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

	Condensed Statement of Net Assets (in thousands of dollars)						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	8,232	6,269	10	8	8,242	6,277	31.30%
Capital assets	10,918	10,418	12	12	10,930	10,430	4.79%
Total assets	19,150	16,687	22	20	19,172	16,707	14.75%
Long-term liabilities	5,291	5,468	-	-	5,291	5,468	(3.24%)
Other liabilities	4,543	3,350	7	8	4,550	3,358	35.50%
Total liabilities	9,834	8,818	7	8	9,841	8,826	11.50%
Net Assets:							
Invested in capital assets, net of related debt	5,656	4,983	12	12	5,668	4,995	13.47%
Restricted	2,913	2,376	-	-	2,913	2,376	22.60%
Unrestricted	747	510	3	-	750	510	47.06%
TOTAL NET ASSETS	9,316	7,869	15	12	9,331	7,881	18.40%

The District's combined net assets increased by nearly 18.5% or approximately \$1,450,000, over the prior year. The main reason for this is due to the District making the final payment on the Capital Loan Notes and entering into the final two years of the General Obligation Bonds.

Total long-term liabilities decreased by 3.24%, even though the District issued \$775,000 of Sales Tax Revenue Bonds this year. We were able to limit the borrowing due to the fact the District had approximately \$400,000 remaining and available for an anticipated renovation of the middle school locker rooms when it completed the High School gymnasium.

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	943,155	723,372	307,050	296,304	1,250,205	1,019,676	22.61%
Operating grants, contributions and restricted interest	855,971	789,068	110,153	103,689	966,124	892,757	8.22%
Capital grants, contributions and restricted interest	33,709	104,847	-	-	33,709	104,847	(67.85%)
General Revenues:							
Property taxes	3,163,543	2,949,823	-	-	3,163,543	2,949,823	7.25%
Income Surtax	189,699	173,760	-	-	189,699	173,760	9.17%
Local option sales tax	1,004,069	912,532	-	-	1,004,069	912,532	10.03%
Unrestricted state grants	4,062,833	3,838,466	-	-	4,062,833	3,838,466	5.85%
Unrestricted investment earnings	59,379	24,683	262	190	59,641	24,873	139.78%
Other revenue	118,922	3,315	-	-	118,922	3,315	3487.4%
Total Revenues	10,431,280	9,519,866	417,465	400,183	10,848,745	9,920,049	9.36%

Expenses:							
Instruction	6,056,741	5,683,198	-	-	6,056,741	5,683,198	6.57%
Support services	2,087,812	2,061,990	-	-	2,087,812	2,061,990	1.25%
Non-instructional programs	-0-	235	415,741	400,633	415,741	400,868	3.71%
Other expenditures	838,028	811,034	-	-	838,028	811,034	3.33%
Total expenses	8,982,581	8,556,457	415,741	400,633	9,398,322	8,957,090	4.93%
Change in net assets before transfers	1,448,699	963,409	1,724	(450)	1,450,423	962,959	50.62%
Transfers	(2,051)	(722)	2,051	722	-	-	0.00%
CHANGE IN NET ASSETS	1,446,648	962,687	3,775	272	1,450,423	962,959	50.62%
Net assets beginning of year	7,869,577	6,906,890	11,430	11,158	7,881,007	6,918,048	13.92%
Net assets end of year	9,316,225	7,869,577	15,205	11,430	9,331,430	7,881,007	18.40%

During fiscal year 2007 the District entered into an agreement to lease the District owned FCC cellular license. The District received one payment of \$100,000 and will receive \$2,000 a month for ten years. These amounts are included in other revenue. The District's investment earnings also more than doubled over the year, which can be attributed to the increase in funds from sale of the Sales Tax Revenue bonds in the category of Governmental Activities. In the Business-type Activities the use of ISJIT (Iowa School Joint Investment Trust) for Payschools has helped to increase the investment earnings in the Nutrition Fund.

Governmental Activities

Revenues for governmental activities were \$10,431,280 and expenses were \$8,982,581. Although revenues are higher than expenses it is important to remember that the District is still in a pattern of declining enrollment. The higher revenues are due mainly to proceeds from the Local Option Sales Tax. These funds can fluctuate from year to year based on the economy and the enrollment in the District. The funds are distributed to the District based on certified enrollment of the resident students by County.

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 (in thousands of dollars)

	Total Cost of Services 2007	Total Cost Of Services 2006	Net Cost of Services 2007	Net Cost of Services 2006
	\$	\$	\$	\$
Instruction	6,057	5,683	4,610	4,508
Support Services	2,089	2,062	2,078	2,056
Non-instructional Programs	-0-	-0-	-0-	-0-
Other Expenses	838	811	462	375
TOTAL	8,984	8,556	7,150	6,939

- The cost financed by users of the District's programs was \$943,155.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$889,680.
- The net cost of governmental activities was financed with \$3,353,242 in property and income surtax taxes and \$4,062,833 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$417,465 and expenses were \$415,741. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The District has been monitoring the School Nutrition Fund and trying to improve the revenue capabilities. Cost of student and adult meals were increased a nickel at the end of the year to begin with the 2007-2008 school year. The ala-carte program the District implemented has helped to increase the revenues and keep the necessary increase in meal prices to a minimal amount.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,529,555, which is a slight increase from last year's ending fund balances of \$2,786,738. The primary reason for the increase in combined fund balances in fiscal 2007 is that the District borrowed \$775,000 in Sales Tax Revenue Bonds at the end of the Fiscal Year to use in financing the construction of the Middle School Multi-purpose Room.

Governmental Fund Highlights

- The District's recent measures of implementing changes in the Instructional Support Levy using a combination of income surtax and property tax dollars has helped in changing the direction of the General Fund financial position from a deteriorating one as a result of declining enrollment and increase in special education costs, to that of improvement with a limited increase in property taxes. The General Fund balance increased from \$341,734 in Fiscal Year 2006 to \$539,905.
- The Capital Projects Fund balance increased from \$1,780,096 to \$2,169,680 in 2007 this is due the sale of Sales Tax Revenue Bonds for the Middle School Multi-purpose Room.
- The Debt Service Fund ended the year with a fund balance of \$177,425. The Debt Service Fund is the area that payments are made for general obligation bonds, capital loan notes, and revenue bonds. The District appropriated \$150,000 in local option sales tax funds to the Debt Service Fund to help in with property tax reduction.
- Non-major governmental funds include the Student Activity Fund, Management Fund and the Physical Plant and Equipment Levy (PEEL) Fund. The major expenses in the Management Fund this year were for District property insurance. The PEEL Fund can be used to purchase vehicles and building improvements. The main expenditure from the PEEL funds this year was a transfer to Debt Service for the final payment of Capital Loan Notes on the Elementary School Multi-Purpose Room. Other major expenditures from PEEL included roof repair and carpeting.
- The Student Activity Fund balance increased approximately \$25,000 from Fiscal Year 2006, whereas the Management Fund and PEEL fund balances increased approximately \$65,000 and \$58,000 respectively between 2006 and 2007. PEEL is mainly due to the planning of the District to use a portion of these funds for the projected Middle School Multi-purpose Room if needed. Management is due to the fact that the District did not pay any early retirement incentives in Fiscal Year 2007.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$11,430 at June 30, 2006 to \$15,205 at June 30, 2007. For fiscal 2007, the District increased meal prices, resulting in the increase in net assets. The District also continued the ala-carte program, which was implemented in January of 2001. Although the ala-carte program has been a good revenue source for the Nutrition Fund, the Board still felt the need to increase the cost of meals by a nickel at the beginning of the 2007-2008 School Year. This is to help offset the costs incurred with the Pyschools program, which was implemented in April of 2006 and to help with the increasing costs of food and personnel.

BUDGETARY HIGHLIGHTS

Over the course of the year, Roland-Story Community School District amended its annual budget one time to reflect additional expenditures associated with the Middle School Multi-purpose Room addition and increase costs in food and supplies in the General Fund and Nutrition Fund.

The District's receipts were \$398,835 more than budgeted receipts, a variance of (3.8%). The most significant variance resulted from the District sale of the Local Option Sales and Service Revenue Bonds, which was not anticipated in the original budget.

Total expenditures were less than budgeted, due to the District's efforts to contain spending due to declining enrollment. The expenditures for Capital Projects were also not as high as anticipated in May 2007 when the district amended the budget based on cash flow projections received from the contractor on the Middle School Multi-purpose Room addition. Rains in May and June put a small delay on parts of the project resulting in less expenses in Fiscal Year 2007.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$10.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 4.79% 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 \$314,620.

The original cost of the District's capital assets was \$14.45 million. Governmental funds account for \$14.38 million, with the remainder of \$0.07 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the Construction in progress category. The District's has \$752,339 of construction in progress at June 30, 2007, compared to none reported at June 30, 2006. This significant increase is due to the Middle School Multi-purpose addition. The District as committed approximately \$1.2 million to complete the project.

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	243,212	243,212	-0-	-0-	243,212	243,212	0.00%
Construction in progress	752,339	-0-	-0-	-0-	752,339	-0-	N/A
Buildings	9,613,496	9,869,813	-0-	-0-	9,613,496	9,869,813	(2.60%)
Improvements	147,291	161,674	-0-	-0-	147,291	161,674	(8.90%)
Equipment & Furniture	161,399	143,986	11,735	11,524	173,134	155,510	11.33%
TOTAL	10,917,737	10,418,685	11,735	11,524	10,929,472	10,430,209	4.79%

Long-Term Debt

At June 30, 2007, the District had \$5,261,280 in general obligation, revenue and other long-term debt outstanding. There is no significant increase or decrease from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The district made the first payment towards principal on the Local Option Sales and Services Tax Revenue Bonds which were issued in September 2004. The district issued additional Local Option Sales and Services Tax Revenue Bonds in June 2007. The district now has \$4,385,000 in remaining principal to pay on these issues and the last payment is scheduled for July 1, 2013.

The District has \$850,000 in general obligation bonds remaining on the refinancing of the bonds for the high school addition in 1990. These bonds will be paid off during fiscal 2009.

The District made its final payment on Capital Loan Notes payable from the Physical Plant and Equipment Levy Fund of \$110,000 on June 1, 2007.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage Change 2006-2007
	2007	2006	
	\$	\$	
General Obligation Bonds	850,000	1,325,000	(35.85%)
Local Option Sales and Services Tax Revenue Bonds	4,385,000	4,000,000	9.63%
Capital Loan Notes	-0-	110,000	(100.00%)
Early Retirement	26,280	-0-	N/A
Total	5,261,280	5,435,000	(3.30%)

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- District enrollment declined for the seventh year in a row in October 2007 18.5 students, or 1.8% of the enrollment of 1,013.6 in 2006-2007. School financing is highly dependent upon student enrollment. This drop in enrollment will decrease the District's funding for fiscal year 2009. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- Although the legislature did pass for fiscal year 2008 an allowable growth rate of 4% with the decrease in enrollment Roland-Story only received \$95,988 for fiscal year 2008.
- District facilities have been well maintained over the last several years with the various additions at the three buildings. It is anticipated that the Middle School Multi-purpose Room addition will be complete in November 2007.
- The District has a one-year contract with the Roland-Story Education Association (RSEA) which included an overall increase in salary and benefits for certified teaching staff of 3.78% or \$170,451 for fiscal year 2008. Staff represented by RSEA makeup in wages and benefits 56% of all General Fund expenditures. Settlements with the RSEA have typically set the standard for agreements with other employees in the District. Settlements with employee groups that exceed the rate of growth in state funding will have an adverse impact upon the District's General Fund budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total	Component Unit Roland-Story Community School District Foundation
	\$	\$	\$	\$
Assets				
Cash and investments:				
ISCAP	520,177	7,495	527,672	-
Other	3,708,174	-	3,708,174	758,132
Receivables:				
Property tax:				
Delinquent	37,889	-	37,889	-
Succeeding year	3,454,776	-	3,454,776	-
Accounts	35,363	72	35,435	-
Accrued interest - ISCAP	155	-	155	-
Due from other governments	425,650	-	425,650	-
Inventories	-	2,926	2,926	-
Bond issue costs	49,755	-	49,755	-
Capital assets, net of accumulated depreciation	10,917,737	11,735	10,929,472	-
Total assets	19,149,676	22,228	19,171,904	758,132
Liabilities				
Accounts payable	478,163	-	478,163	-
Salaries and benefits payable	20,212	709	20,921	-
Accrued interest payable	63,733	-	63,733	-
Deferred revenue:				
Succeeding year property tax	3,454,776	-	3,454,776	-
Other	1,001	6,314	7,315	-
ISCAP warrants payable	521,000	-	521,000	-
ISCAP accrued interest payable	133	-	133	-
ISCAP premium	3,866	-	3,866	-
Long-term liabilities:				
Portion due within one year:				
Bond premium	4,063	-	4,063	-
General obligation bonds payable	495,000	-	495,000	-
Revenue bonds payable	450,000	-	450,000	-
Termination benefits	26,280	-	26,280	-
Portion due after one year:				
Bond premium	25,224	-	25,224	-
General obligation bonds payable	355,000	-	355,000	-
Revenue bonds payable	3,935,000	-	3,935,000	-
Total liabilities	9,833,451	7,023	9,840,474	-

See notes to financial statements.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total	Component Unit Roland-Story Community School District Foundation
	\$	\$	\$	\$
Net assets				
Invested in capital assets, net of related debt	5,656,457	11,735	5,668,192	-
Restricted for:				
Scholarships and projects by donors	-	-	-	737,044
State categorical aid	13,278	-	13,278	-
Management levy	189,502	-	189,502	-
Physical plant and equipment levy	232,007	-	232,007	-
Other special revenue purposes	194,756	-	194,756	-
Local option sales and services tax	1,128,348	-	1,128,348	-
Debt service	1,155,024	-	1,155,024	-
Unrestricted	<u>746,853</u>	<u>3,470</u>	<u>750,323</u>	<u>21,088</u>
Total net assets	<u><u>9,316,225</u></u>	<u><u>15,205</u></u>	<u><u>9,331,430</u></u>	<u><u>758,132</u></u>

ROLAND-STORY COMMUNITY SCHOOLDISTRICT

Statement of Activities

Year ended June 30, 2007

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	4,007,224	526,688	385,001	-
Special	945,853	58,479	48,799	-
Other	1,103,664	347,896	80,296	-
	<u>6,056,741</u>	<u>933,063</u>	<u>514,096</u>	<u>-</u>
Support services:				
Student	164,147	-	-	-
Instructional staff	280,103	-	-	-
Administration	773,128	-	-	-
Operation and maintenance of plant	637,229	4,992	-	-
Transportation	233,205	5,100	-	-
	<u>2,087,812</u>	<u>10,092</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	75,831	-	-	33,709
Long-term debt interest	185,132	-	35,210	-
AEA flowthrough	306,665	-	306,665	-
Depreciation (unallocated)*	270,400	-	-	-
	<u>838,028</u>	<u>-</u>	<u>341,875</u>	<u>33,709</u>
Total governmental activities	8,982,581	943,155	855,971	33,709
Business type activities:				
Non-instructional programs:				
Food service operations	415,741	307,050	110,153	-
Total primary government	9,398,322	1,250,205	966,124	33,709
Component Unit:				
Roland Story Community School District Foundation	40,921	1,575	57,086	-
Total	<u>9,439,243</u>	<u>1,251,780</u>	<u>1,023,210</u>	<u>33,709</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets
Primary Government

Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(3,095,535)	-	(3,095,535)	-
(838,575)	-	(838,575)	-
(675,472)	-	(675,472)	-
(4,609,582)	-	(4,609,582)	-
(164,147)	-	(164,147)	-
(280,103)	-	(280,103)	-
(773,128)	-	(773,128)	-
(632,237)	-	(632,237)	-
(228,105)	-	(228,105)	-
(2,077,720)	-	(2,077,720)	-
(42,122)	-	(42,122)	-
(149,922)	-	(149,922)	-
-	-	-	-
(270,400)	-	(270,400)	-
(462,444)	-	(462,444)	-
(7,149,746)	-	(7,149,746)	-
-	1,462	1,462	-
(7,149,746)	1,462	(7,148,284)	-
-	-	-	17,740
(7,149,746)	1,462	(7,148,284)	17,740
2,547,722	-	2,547,722	-
384,674	-	384,674	-
231,147	-	231,147	-
189,699	-	189,699	-
1,004,069	-	1,004,069	-
4,062,833	-	4,062,833	-
59,379	262	59,641	-
118,922	-	118,922	-
8,598,445	262	8,598,707	-
(2,051)	2,051	-	-
8,596,394	2,313	8,598,707	-
1,446,648	3,775	1,450,423	17,740
7,869,577	11,430	7,881,007	740,392
9,316,225	15,205	9,331,430	758,132

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General Fund	Capital Projects - Local Option Sales Tax	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments					
ISCAP	520,177	-	-	-	520,177
Other	465,520	2,419,943	172,597	650,114	3,708,174
Receivables:					
Property tax:					
Delinquent	28,311	-	4,828	4,750	37,889
Succeeding year	2,591,821	-	383,427	479,528	3,454,776
Accounts	23,491	-	-	11,872	35,363
Accrued interest - ISCAP	155	-	-	-	155
Due from other governments	274,471	151,179	-	-	425,650
Total assets	3,903,946	2,571,122	560,852	1,146,264	8,182,184
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	53,010	401,442	-	23,711	478,163
Salaries and benefits payable	19,732	-	-	480	20,212
ISCAP warrants payable	521,000	-	-	-	521,000
ISCAP accrued interest payable	133	-	-	-	133
ISCAP premium	3,866	-	-	-	3,866
Deferred revenue:					
Succeeding year property tax	2,591,821	-	383,427	479,528	3,454,776
Other	174,479	-	-	-	174,479
Total liabilities	3,364,041	401,442	383,427	503,719	4,652,629
Fund balances:					
Reserved for:					
State categorical aid	13,278	-	-	-	13,278
Debt service	-	1,041,332	177,425	-	1,218,757
Unreserved reported in:					
General fund	526,627	-	-	-	526,627
Special revenue funds	-	-	-	642,545	642,545
Capital projects funds	-	1,128,348	-	-	1,128,348
Total fund balances	539,905	2,169,680	177,425	642,545	3,529,555
Total liabilities and fund balances	3,903,946	2,571,122	560,852	1,146,264	8,182,184

See notes to financial statements.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

	\$
Total fund balances of governmental funds (Exhibit C)	3,529,555
<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.	10,917,737
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	173,478
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.	(63,733)
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds.	49,755
Long-term liabilities, including bond premiums, bonds payable, revenue bonds and termination benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(5,290,567)</u>
Net assets of governmental activities (Exhibit A)	<u><u>9,316,225</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Capital Projects - Local Option Sales Tax	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,564,715	1,004,069	384,674	387,312	4,340,770
Tuition	463,916	-	-	-	463,916
Other	257,624	98,685	7,668	361,878	725,855
Intermediate sources	11,095	-	-	-	11,095
State sources	4,741,516	-	-	-	4,741,516
Federal sources	130,983	-	-	-	130,983
Total revenues	<u>8,169,849</u>	<u>1,102,754</u>	<u>392,342</u>	<u>749,190</u>	<u>10,414,135</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,979,809	-	-	6,955	3,986,764
Special	945,853	-	-	-	945,853
Other	784,495	-	-	320,135	1,104,630
	<u>5,710,157</u>	<u>-</u>	<u>-</u>	<u>327,090</u>	<u>6,037,247</u>
Support services:					
Student	164,147	-	-	-	164,147
Instructional staff	280,103	-	-	-	280,103
Administration	773,695	3,100	-	1,198	777,993
Operation and maintenance of plant	533,260	21,700	-	94,509	649,469
Transportation	203,919	-	-	7,000	210,919
	<u>1,955,124</u>	<u>24,800</u>	<u>-</u>	<u>102,707</u>	<u>2,082,631</u>
Non-instructional programs	-	-	-	2,051	2,051
Other expenditures:					
Facilities acquisition	-	795,288	-	53,555	848,843
Long-term debt:					
Principal	-	-	975,000	-	975,000
Interest and fiscal charges	-	-	194,485	-	194,485
AEA flowthrough	306,665	-	-	-	306,665
	<u>306,665</u>	<u>795,288</u>	<u>1,169,485</u>	<u>53,555</u>	<u>2,324,993</u>
Total expenditures	<u>7,971,946</u>	<u>820,088</u>	<u>1,169,485</u>	<u>485,403</u>	<u>10,446,922</u>
Excess (deficiency) of revenues over (under) expenditures	<u>197,903</u>	<u>282,666</u>	<u>(777,143)</u>	<u>263,787</u>	<u>(32,787)</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Capital Projects - Local Option Sales Tax	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Bonds issued	-	775,000	-	-	775,000
Accrued interest on bonds issued	-	336	-	-	336
Sales of materials and equipment	268	-	-	-	268
Operating transfers in	-	-	784,758	-	784,758
Operating transfers out	-	(668,418)	-	(116,340)	(784,758)
Total other financing sources (uses)	<u>268</u>	<u>106,918</u>	<u>784,758</u>	<u>(116,340)</u>	<u>775,604</u>
Net change in fund balances	198,171	389,584	7,615	147,447	742,817
Fund balances beginning of year	<u>341,734</u>	<u>1,780,096</u>	<u>169,810</u>	<u>495,098</u>	<u>2,786,738</u>
Fund balances end of year	<u><u>539,905</u></u>	<u><u>2,169,680</u></u>	<u><u>177,425</u></u>	<u><u>642,545</u></u>	<u><u>3,529,555</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		742,817
<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 Activities 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	812,132	
Depreciation expense	<u>(312,780)</u>	499,352
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.		16,541
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.		975,000
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.		5,290
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		(26,280)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(775,000)
Bond issue costs are reported as an expense in the governmental fund financial statements, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.		4,865
Bond premiums are reported as income in the governmental funds, but are amortized over the life of the bonds in the government-wide financial statements		<u>4,063</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>1,446,648</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	7,495
Accounts receivable	72
Inventories	2,926
Capital assets, net of accumulated depreciation	<u>11,735</u>
Total assets	<u>22,228</u>
Liabilities	
Salaries and benefits payable	709
Deferred revenue	<u>6,314</u>
Total liabilities	<u>7,023</u>
Net assets	
Invested in capital assets, net of related debt	11,735
Unrestricted	<u>3,470</u>
Total net assets	<u><u>15,205</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>307,050</u>
Operating expenses:	
Non-instructional programs:	
Salaries	147,043
Benefits	17,569
Purchased services	3,437
Supplies	245,852
Depreciation	<u>1,840</u>
	<u>415,741</u>
Operating gain (loss)	<u>(108,691)</u>
Non-operating revenues:	
State sources	5,548
Federal sources	104,605
Interest income	262
Total non-operating revenues	<u>110,415</u>
Gain (loss) before capital contributions	1,724
Capital contributions	<u>2,051</u>
Change in net assets	3,775
Net assets beginning of year	<u>11,430</u>
Net assets end of year	<u><u>15,205</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	305,707
Cash received from daycare services	
Cash payments to employees for services	(163,903)
Cash payments to suppliers for goods or services	<u>(232,908)</u>
Net cash used by operating activities	<u>(91,104)</u>
Cash flows from non-capital financing activities:	
State grants received	5,548
Federal grants received	88,248
Net cash provided by non-capital financing activities	<u>93,796</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>262</u>
Net increase (decrease) in cash and cash equivalents	2,954
Cash and cash equivalents at beginning of year	<u>4,541</u>
Cash and cash equivalents at end of year	<u><u>7,495</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(108,691)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	16,357
Depreciation	1,840
Decrease (increase) in inventories	673
Decrease (increase) in accounts receivable	97
(Decrease) increase in accounts payable	(649)
(Decrease) increase in salaries and benefits payable	709
(Decrease) increase in deferred revenue	<u>(1,440)</u>
Net cash used in operating activities	<u><u>(91,104)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$16,357 of federal commodities.

During the year ended June 30, 2007 the School Nutrition Fund received \$2,051 of equipment that was purchased by other funds.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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	25,000
Improvements other than buildings	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (in Years)</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 did not exceed the amounts 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 the following investments:

	<u>Fair Value</u>
	\$
Goldman Sachs Financial Square Treasury Obligations Fund	<u>1,041,332</u>

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

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

3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
		\$
Debt Service Fund	Nonmajor Funds: Physical Plant and Equipment Levy Fund	116,340
Debt Service Fund	Capital Projects Fund	668,418

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

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
			\$	\$	\$	\$
2007-08A	6/27/07	6/27/08	<u>520,177</u>	<u>155</u>	<u>521,000</u>	<u>133</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

The warrants bear an interest rate and the available proceeds of the warrants are invested at the interest rate shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2007-08A	4.500	5.455

5. Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	-	752,339	-	752,339
Land	243,212	-	-	243,212
Total capital assets not depreciated	243,212	752,339	-	995,551
Capital assets being depreciated:				
Buildings	12,227,420	-	-	12,227,420
Improvements other than buildings	287,651	-	-	287,651
Furniture and equipment	812,699	59,793	-	872,492
Total capital assets being deprec.	13,327,770	59,793	-	13,387,563
Less accumulated depreciation for:				
Buildings	2,357,907	256,017	-	2,613,924
Improvements other than buildings	125,977	14,383	-	140,360
Furniture and equipment	668,713	42,380	-	711,093
Total accumulated depreciation	3,152,597	312,780	-	3,465,377
Total capital assets being depreciated, net	10,175,173	(252,987)	-	9,922,186
Governmental activities capital assets, net	10,418,385	499,352	-	10,917,737
Business type activities:				
Balance Beginning of Year				
	\$	\$	\$	\$
Furniture and equipment	65,158	2,051	-	67,209
Less accumulated depreciation	53,634	1,840	-	55,474
Business type activities capital assets, net	11,524	211	-	11,735

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	970
Other	6,964
Support Services:	
Operation and maintenance of plant	5,160
Transportation	29,286
	<u>42,380</u>
Unallocated depreciation	<u>270,400</u>
Total depreciation expense – governmental activities	<u><u>312,780</u></u>
Business type activities:	
Food services	<u><u>1,840</u></u>

6. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	1,325,000	-	475,000	850,000	495,000
Local option sales and services tax revenue bonds	4,000,000	775,000	390,000	4,385,000	450,000
Capital loan notes	110,000	-	110,000	-	-
Termination benefits	-	26,280	-	26,280	26,280
	<u>5,435,000</u>	<u>801,280</u>	<u>975,000</u>	<u>5,261,280</u>	<u>971,280</u>
Total					

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of 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.

Early retirement benefits are equal to 45% of the employee's base salary in effect during the employee's last year of employment.

Early retirement benefits will be paid in one installment made during the July following the start of retirement.

At June 30, 2007, the District has an obligation to one participant for early retirement benefits. The District did not pay any early retirement benefits during the year.

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Bond Issue of May, 1998				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	4.50	495,000	38,428	533,428
2009	4.55	355,000	16,153	371,153
		<u>850,000</u>	<u>54,581</u>	<u>904,581</u>

Revenue Bonds Payable

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

Bond Issue of September 2004				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	3.00	450,000	116,030	566,030
2009	3.20	470,000	101,760	571,760
2010	3.40	495,000	85,825	580,825
2011	3.50	515,000	68,398	583,398
2012	3.50	535,000	50,023	585,023
2013-2014	3.50-3.60	1,145,000	41,389	1,186,389
		<u>3,610,000</u>	<u>463,425</u>	<u>4,073,425</u>

Bond Issue of June 2007				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	-	-	17,614	17,614
2009	3.80	130,000	27,725	157,725
2010	3.85	125,000	22,849	147,849
2011	3.875	130,000	17,924	147,924
2012	3.90	130,000	12,870	142,870
2013-14	3.95-4.00	260,000	10,367	270,367
		<u>775,000</u>	<u>109,349</u>	<u>884,349</u>

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

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

- The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- Bonds maturing after July 1, 2011, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.

- \$410,000 and \$75,500 of the proceeds from the bond issues have been placed in a reserve accounts with a trustee. The reserve accounts may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking accounts. The reserve accounts are part of the District's Capital Projects Fund.
- Proceeds from the local option sales and services tax shall be placed in sinking funds with a trustee. The required amount to be deposited in the sinking funds in any month shall be the equal monthly amount necessary to pay in full the installment of interest coming due on the next interest payment date and the amount necessary to pay in full the installment of principal coming due on the next succeeding principal payment date until the full amount of such installment is on hand. Money in the sinking accounts shall be used to pay the interest and principal on the bonds. Any surplus monies remaining after all required payments to the sinking fund may be used for any lawful purpose for which the local option sales tax may be used. The sinking fund is part of the Capital Projects Fund.

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 \$301,039, \$289,823 and \$312,856 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 \$306,665 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. Lease Commitment

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 13,212

11. Construction Commitment

The District has entered into a \$1,811,900 contract for an addition to the middle school. As of June 30, 2007 costs of \$586,268 had been incurred against the contract. The balance remaining at June 30, 2007 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	5,530,541	307,312	5,837,853	5,444,626	5,444,626	393,227
Intermediate sources	11,095	-	11,095	-	-	11,095
State sources	4,741,516	5,548	4,747,064	4,703,139	4,703,139	43,925
Federal sources	130,983	104,605	235,588	285,000	285,000	(49,412)
Total revenues	<u>10,414,135</u>	<u>417,465</u>	<u>10,831,600</u>	<u>10,432,765</u>	<u>10,432,765</u>	<u>398,835</u>
Expenditures:						
Instruction	6,037,247	-	6,037,247	6,285,000	6,331,200	293,953
Support services	2,082,631	-	2,082,631	2,297,000	2,297,000	214,369
Non-instructional programs	2,051	415,741	417,792	416,000	425,960	8,168
Other expenditures	2,324,993	-	2,324,993	2,299,422	3,092,100	767,107
Total expenditures	<u>10,446,922</u>	<u>415,741</u>	<u>10,862,663</u>	<u>11,297,422</u>	<u>12,146,260</u>	<u>1,283,597</u>
Excess (deficiency) of revenues over (under) expenditures	(32,787)	1,724	(31,063)	(864,657)	(1,713,495)	1,682,432
Other financing sources (uses) net	<u>775,604</u>	<u>2,051</u>	<u>777,655</u>	<u>250</u>	<u>775,225</u>	<u>2,430</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	742,817	3,775	746,592	(864,407)	(938,270)	1,684,862
Balance beginning of year	<u>2,786,738</u>	<u>11,430</u>	<u>2,798,168</u>	<u>3,016,591</u>	<u>3,016,591</u>	<u>(218,423)</u>
Balance end of year	<u><u>3,529,555</u></u>	<u><u>15,205</u></u>	<u><u>3,544,760</u></u>	<u><u>2,152,184</u></u>	<u><u>2,078,321</u></u>	<u><u>1,466,439</u></u>

ROLAND-STORY 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 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 function 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, the District adopted one budget amendment increasing budgeted disbursements by \$848,838.

OTHER SUPPLEMENTARY INFORMATION

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity Fund	Plant and Equipment Levy	
	\$	\$	\$	\$
Cash and pooled investments	213,933	203,475	232,706	650,114
Receivables:				
Property tax:				
Delinquent	1,849	-	2,901	4,750
Succeeding year	174,999	-	304,529	479,528
Accounts	-	11,872	-	11,872
Total assets	390,781	215,347	540,136	1,146,264
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	20,111	3,600	23,711
Salaries and benefits payable	-	480	-	480
Deferred revenue:				
Succeeding year property tax	174,999	-	304,529	479,528
Total liabilities	174,999	20,591	308,129	503,719
Fund balances:				
Unreserved reported in:				
Special revenue funds	215,782	194,756	232,007	642,545
Total liabilities and fund balances	390,781	215,347	540,136	1,146,264

ROLAND-STORY 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	
	Levy	Activity Fund	Plant and Equipment Levy	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	156,165	-	231,147	387,312
Other	9,843	345,082	6,953	361,878
Total revenues	<u>166,008</u>	<u>345,082</u>	<u>238,100</u>	<u>749,190</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,955	-	-	6,955
Other	-	320,135	-	320,135
Support services:				
Administration	-	-	1,198	1,198
Operation and maintenance of plant	94,509	-	-	94,509
Transportation	-	-	7,000	7,000
Non-instructional programs	-	-	2,051	2,051
Other expenditures:				
Facilities acquisition	-	-	53,555	53,555
Total expenditures	<u>101,464</u>	<u>320,135</u>	<u>63,804</u>	<u>485,403</u>
Excess (deficiency) of revenues over (under) expenditures	64,544	24,947	174,296	263,787
Other financing sources (uses):				
Operating transfers out	-	-	(116,340)	(116,340)
Net change in fund balance	64,544	24,947	57,956	147,447
Fund balances beginning of year	<u>151,238</u>	<u>169,809</u>	<u>174,051</u>	<u>495,098</u>
Fund balances end of year	<u>215,782</u>	<u>194,756</u>	<u>232,007</u>	<u>642,545</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<u>Account</u>	Balance	Revenues	Expenditures	Balance End
	Beginning of			of Year
	Year			
	\$	\$	\$	\$
General athletics	(3,311)	11,244	7,100	833
Interest	10,746	82	25	10,803
Gifts/RIF	14,605	1,509	5,009	11,105
<u>ELEMENTARY</u>				
Student council	7,512	8,505	10,098	5,919
OCA	2,088	-	469	1,619
Helping hands	362	-	-	362
Pencil project	563	104	-	667
S.N. penny drive	582	162	346	398
<u>MIDDLE SCHOOL</u>				
Vocal music	118	656	604	170
Instrumental music	1,113	3,179	2,026	2,266
Student council	7,593	9,801	9,758	7,636
<u>HIGH SCHOOL</u>				
Speech/drama/musical	11,834	7,509	6,431	12,912
Vocal music	13,894	4,840	3,096	15,638
Instrumental music	3,511	13,009	11,832	4,688
Music uniforms	3,365	2,051	2,546	2,870
Cross country	(206)	1,853	1,647	-
Boys basketball	10,972	14,499	20,717	4,754
Boys football	6,452	22,464	20,994	7,922
Boys baseball	(2,207)	25,654	23,447	-
Boys track	4,432	6,591	6,813	4,210
Boys golf	(627)	2,839	2,212	-
Wrestling	2,823	12,892	10,216	5,499
Girls basketball	702	13,501	10,913	3,290
Girls volleyball	1,789	5,716	6,934	571
Girls softball	(67)	21,771	21,704	-
Girls track	510	11,370	11,378	502
Girls golf	(617)	2,158	1,541	-
Yearbook	-	3,500	1,836	1,664
FFA	8,168	35,230	34,082	9,316
FCCLA	1,564	3,408	3,481	1,491
Student council	6,712	2,042	3,435	5,319
Student senate	(716)	-	-	(716)
Honor Society	202	2,865	3,066	1
HOSA	857	7,977	8,052	782
Cheerleaders	281	5,722	4,722	1,281

ROLAND-STORY 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 \$	Balance End of Year \$
Key club	2,112	5,591	5,591	2,112
Norse news	1,479	-	-	1,479
Student awards	21,070	6,591	4,630	23,031
Student resale	354	-	-	354
Pop fund	2,160	138	-	2,298
Concessions	21,138	50,091	35,121	36,108
Class of 2009	-	515	-	515
Class of 2008	-	17,453	12,366	5,087
Class of 2007	4,170	-	4,170	-
Class of 2006	1,514	-	1,514	-
Class of 2005	213	-	213	-
	<u>169,809</u>	<u>345,082</u>	<u>320,135</u>	<u>194,756</u>
Total	<u>169,809</u>	<u>345,082</u>	<u>320,135</u>	<u>194,756</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	4,340,770	4,036,115	3,798,784	3,530,182
Tuition	463,916	364,822	383,429	399,886
Other	725,855	530,474	464,237	388,606
Intermediate sources	11,095	-	-	-
State sources	4,741,516	4,454,045	4,401,245	4,258,205
Federal sources	130,983	131,095	133,265	129,707
Total revenues	10,414,135	9,516,551	9,180,960	8,706,586
Expenditures:				
Instruction:				
Regular	3,986,764	3,802,510	3,813,244	3,899,273
Special	945,853	980,878	833,874	982,501
Other	1,104,630	940,131	953,220	740,476
Support services:				
Student	164,147	156,012	162,878	191,352
Instructional staff	280,103	309,591	311,363	189,071
Administration	777,993	737,648	773,446	684,819
Operation and maintenance of plant	649,469	617,655	588,619	523,648
Transportation	210,919	229,121	240,359	229,487
Non-instructional programs	2,051	235	-	6,583
Other expenditures:				
Facilities acquisition	848,843	3,162,653	729,417	456,497
Long-term debt:				
Principal	975,000	660,000	685,000	741,857
Interest and other charges	194,485	226,284	162,114	146,334
AEA flowthrough	306,665	288,699	283,677	287,754
Total expenditures	10,446,922	12,111,417	9,537,211	9,079,652

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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
Roland-Story Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Roland-Story Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 2, 2007. We did not issue an opinion on the Roland-Story Community School District Foundation, which is included as a discretely presented component unit, because we were not engaged to, and did not audit the Foundation. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Roland-Story Community School District's internal control over financial reporting 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 Roland-Story Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Roland-Story 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 Roland-Story 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 Roland-Story Community School District's financial statements that is more than inconsequential will not be prevented or detected by Roland-Story 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 Roland-Story 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 Roland-Story Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings 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.

Roland-Story 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 Roland-Story 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 Roland-Story Community School District and other parties to whom Roland-Story Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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

November 2, 2007

ROLAND-STORY 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, preparation and posting of 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 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.

ROLAND-STORY 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, did not exceed the amounts budgeted.

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

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: 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> \$
Craig Anderson, school board member, is also owner of Anderson Meat and Grocery.	Food and supplies	1,210

The transactions with Anderson Meat and Grocery do not appear to be conflicts of interest because the amounts total less than \$2,500 as allowed by Iowa law.

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 which had not been approved by the Board were noted.

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

07-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.

07-II-I Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.