

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

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Gary E. Horton CPA

PO Box 384
902 Central Ave. E.
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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, 2008, 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.

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, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 5, 2009, 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, contracts 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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, 2007, (which are not presented herein). For 2007, 2006 and 2005 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

January 5, 2009

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, 2008. 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.

2008 FINANCIAL HIGHLIGHTS

- The General Fund ending fund balance again slightly increased from \$539,905 in Fiscal Year 2007 to \$597,331 due primarily to the increase in net open enrollment and tuition in students. Even though there was an increase in net open enrollment and tuition in which helped to provide some immediate additional funds for the District it is still necessary to be cautious with spending. The overall certified enrollment still is declining. In Fiscal Year 2008 the certified enrollment which determines the funding for the next school year decreased 18.5 students or approximately \$100,000.
- The district for the second year in a row has determined that it was necessary to file for ISCAP (Iowa School Cash Anticipation Program). Based on the projected cash flow the district would possibly need to borrow funds in September or October 2008 to cover expenses until state aid was received. This is due to the declining enrollment over the past several years.
- The District completed the construction of a new Middle School Multi-purpose Room. The total cost of the project was \$2,059,136. Funding from this project was mostly from Sales Tax Revenue Bonds and \$300,000 from the Physical Plant and Equipment Levy Fund. This project was completed in March 2008.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

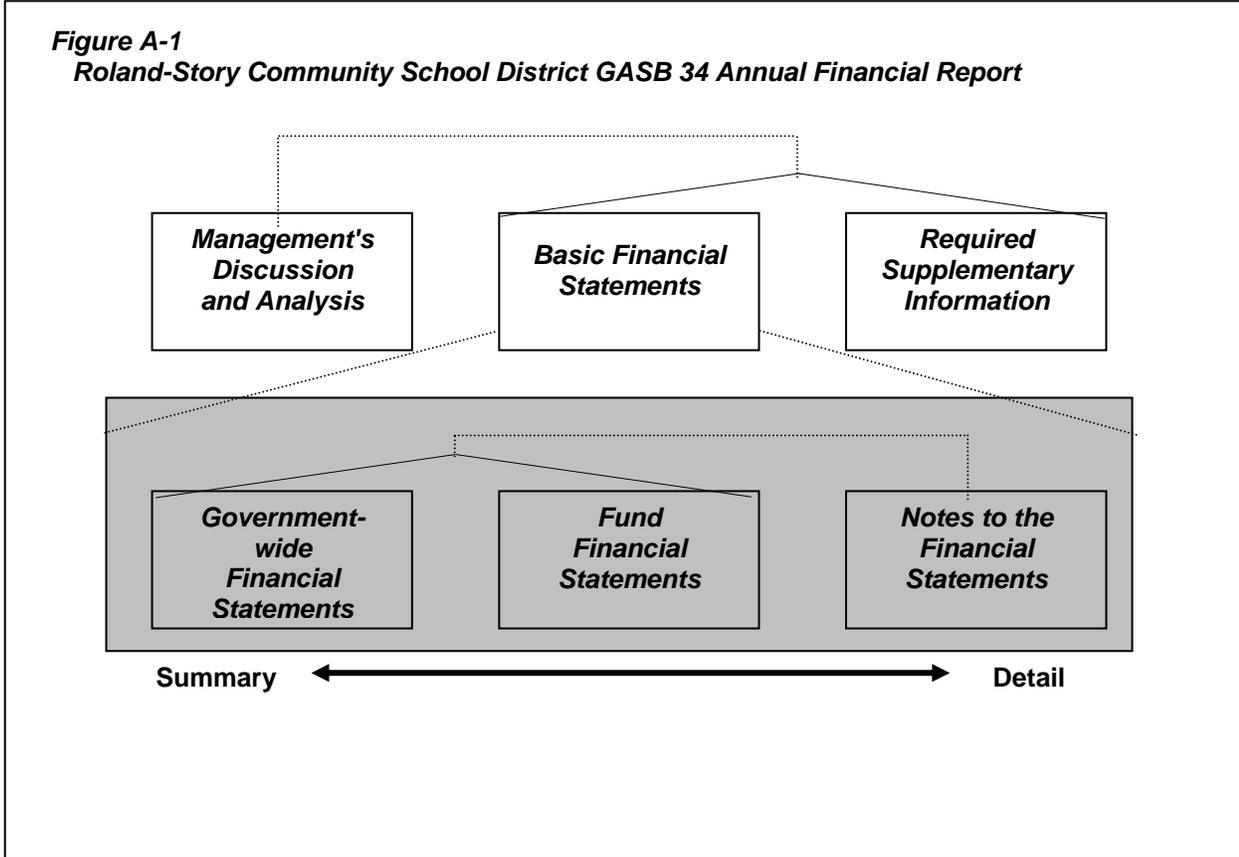


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statements for proprietary funds include a statement of 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, 2008 compared to June 30, 2007.

Figure A-3

Condensed Statement of Net Assets (in thousands of dollars)							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2007-2008
	2008	2007	2008	2007	2008	2007	
	\$	\$	\$	\$	\$	\$	
Current and other assets	7,047	8,232	15	10	7,062	8,242	(14.32)%
Capital assets	11,912	10,918	12	12	11,924	10,930	9.09%
Total assets	18,959	19,150	27	22	18,986	19,172	(0.97)%
Long-term liabilities	4,367	5,291	-	-	4,367	5,291	(17.46)%
Other liabilities	3,943	4,543	9	7	3,952	4,550	(13.14)%
Total liabilities	8,310	9,834	9	7	8,319	9,841	(15.47)%
Net Assets:							
Invested in capital assets, net of related debt	7,622	5,656	12	12	7,634	5,668	34.69%
Restricted	2,231	2,913	-	-	2,231	2,913	(23.41)%
Unrestricted	796	747	6	3	802	750	6.93%
TOTAL NET ASSETS	10,649	9,316	18	15	10,667	9,331	14.32%

The District's total assets decreased slightly this year by .97% or approximately \$186,000, over the prior year. The district was able to keep this to a minimum because of the increase to capital assets with the completion of the Middle School multi-purpose room helped to offset the \$1,180,000 decrease in current and other assets. This decrease is due to continued declining enrollment and settlements with RSEA near the state average, when minimal amount of new money is received.

Total long-term liabilities decreased by 17.46%, due to the fact the district is entering into the final year of the General Obligation bonds and did not borrow any money for long-term liabilities during this fiscal year. Other liabilities also decreased, since the district had approximately \$300,000 less in accounts payable at the end of the year. Although this lowered our liabilities it also lowered our current and other assets at year end.

Figure A-4 shows the change in net assets for the years ended June 30, 2008 and 2007.

Figure A-4

	Change in Net Assets						Percentage Change 2007-2008
	Governmental Activities		Business-type Activities		Total School District		
	2008	2007	2008	2007	2008	2007	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	1,000,877	943,155	322,128	307,050	1,323,005	1,250,205	5.82%
Operating grants, contributions and restricted interest	982,867	855,971	111,929	110,153	1,094,796	966,124	13.32%
Capital grants, contributions and restricted interest	39,805	33,709	-	-	39,805	33,709	18.08%
General Revenues:							
Property taxes	3,456,486	3,163,543	-	-	3,456,486	3,163,543	9.26%
Income Surtax	299,463	189,699	-	-	299,463	189,699	57.86%
Local option sales tax	956,757	1,004,069	-	-	956,757	1,004,069	(4.71)%
Unrestricted state grants	4,009,170	4,062,833	-	-	4,009,170	4,062,833	(1.32)%
Unrestricted investment earnings	44,809	59,379	741	262	45,550	59,641	(23.63)%
Other revenue	12,037	118,922	-	-	12,037	118,922	(89.88)%
Total Revenues	10,802,271	10,431,280	434,798	417,465	11,237,069	10,848,745	3.58%

Expenses:							
Instruction	6,356,969	6,056,741	-	-	6,356,969	6,056,741	4.96%
Support services	2,253,004	2,087,812	-	-	2,253,004	2,087,812	7.91%
Non-instructional programs	2,757	-0-	431,905	415,741	434,662	415,741	4.55%
Other expenditures	856,608	838,028	-	-	856,608	838,028	2.22%
Total expenses	9,469,338	8,982,581	431,905	415,741	9,901,243	9,398,322	5.35%
Change in net assets before Transfers							
	1,332,933	1,448,709	2,893	1,724	1,335,826	1,450,423	(7.90)%
Transfers	-	(2,051)	-	2,051	-	-	0.00%
CHANGE IN NET ASSETS	1,332,933	1,446,648	2,893	3,775	1,335,826	1,450,423	(7.90)%
Net assets beginning of year	9,316,225	7,869,577	15,205	11,430	9,331,430	7,881,007	18.40%
Net assets end of year	10,649,158	9,316,225	18,098	15,205	10,667,256	9,331,430	14.32%

The decrease in other revenue of 89.88% can be attributed to the one time payment of \$100,000 that was received in fiscal year 2007 for the lease of the District owned FCC cellular license. The District now only receives the monthly payment on the ten year lease. The District's investment earnings and the Local option sales tax both decreased this year and is mostly attributed to the current economic conditions nationwide. 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 \$10,802,271 and expenses were \$9,469,338. 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 this being the first full year that the District has collected the Income Surtax for the Physical Plant and Equipment Levy and Instructional Support Levy, prior to this Income Surtax was only collected for the Instructional Support Levy. These funds can fluctuate from year to year based on the economy and unemployment in the District. During 2008 the District did have one major manufacturing company close their doors and the effects of this on the Income Surtax for the district will not be reflective until the following year.

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

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

Figure A-5

	Total Cost of Services 2008 \$	Total Cost Of Services 2007 \$	Net Cost Of Services 2008 \$	Net Cost of Services 2007 \$
Instruction	6,357	6,057	4,740	4,610
Support Services	2,253	2,089	2,216	2,078
Non-instructional Programs	3	-0-	3	-0-
Other Expenses	857	838	487	462
TOTAL	9,470	8,984	7,446	7,150

- The cost financed by users of the District's programs was \$1,000,877.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,022,672.
- The net cost of governmental activities was financed with \$3,755,949 in property and income surtax taxes and \$4,009,170 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$434,798 and expenses were \$431,905. 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. 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. Meal prices were not raised for the beginning of the 2008-2009 school year.

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 \$2,830,173, which is a decrease from last year's ending fund balances of \$3,529,555. The primary reason for the decrease in combined fund balances in fiscal 2008 is that the District finished the construction of the Middle School Multi-purpose Room and funds that had been borrowed in the previous fiscal year were used for this project.

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 \$539,905 in Fiscal Year 2007 to \$597,331 in Fiscal Year 2008.
- The Capital Projects Fund balance decreased from \$2,169,680 to \$1,405,575 in 2007 this decrease was anticipated and is due to the completion of the Middle School Multi-purpose Room project.
- Non-major governmental funds include the Student Activity Fund, Management Fund, Physical Plant and Equipment Levy (PPEL) Fund, and the Debt Service Fund. The major expenses in the Management Fund this year were for District property insurance and the Early Retirement Incentive. The PPEL Fund can be used to purchase vehicles and building improvements. The main expenditure from the PPEL funds this year was a transfer to Capital Projects to assist with the Middle School Multi-purpose Room. Other major expenditures from PPEL included air conditioning at the High School, carpeting at all three buildings, and roof repair.
- The Student Activity Fund and Management Fund balances increased approximately \$60,000 from Fiscal Year 2007, whereas the PPEL Fund decreased approximately \$68,000 between 2007 and 2008. The Debt Service Fund balance increased \$12,825 from Fiscal Year 2007. This is mainly due to interest earned on the account. The final General Obligation Bond payment will be made in Fiscal Year 2008, then it is anticipated that the Board will vote to transfer the funds to the PPEL Fund which is allowed under Iowa Code.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$15,205 at June 30, 2007 to \$18,098 at June 30, 2008. For fiscal 2008, the District decided not to increase meal prices feeling that net assets continued to improve. The District also continued the ala-carte program, which was implemented in January of 2001. The ala-carte program continues to be a good revenue source for the Nutrition Fund. The District also continues to offer payment for meals through Payschools this and the School Dining Program have helped in making it easier for parents to keep positive balances in the lunch accounts.

BUDGETARY HIGHLIGHTS

The District's receipts were \$76,005 less than budgeted receipts, a variance of 0.68%. The most significant variance resulted from the decreased amount of funds received from Federal Grants, Local Option Sales Tax and interest income, 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. 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, 2008, the District had invested \$11.9 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 9.10% 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 \$359,215.

The original cost of the District's capital assets was \$15.79 million. Governmental funds account for \$15.72 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. This is due to the fact the Middle School Multi-purpose Room project was completed in the year and the total cost of this project moved from the Construction in Progress category to Buildings. This also accounts for a majority of the 18.48% increase in Buildings. The decrease in Equipment and Furniture is due to continued depreciation in this category with no new purchases for this year, since the District is trying to contain expenditures.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2007-2008
	Activities		Activities		School District		
	2008	2007	2008	2007	2008	2007	
	\$	\$	\$	\$	\$	\$	
Land	243,212	243,212	-0-	-0-	243,212	243,212	0.00%
Construction in progress	-0-	752,339	-0-	-0-	-0-	752,339	(100.00)%
Buildings	11,390,084	9,613,496	-0-	-0-	11,390,084	9,613,496	18.48%
Improvements	159,506	147,291	-0-	-0-	159,506	147,291	8.29%
Equipment & Furniture	119,022	161,399	11,904	11,735	130,926	173,134	(24.38)%
TOTAL	11,911,824	10,917,737	11,904	11,735	11,923,728	10,929,472	9.10%

Long-Term Debt

At June 30, 2008, the District had \$4,341,844 in general obligation, revenue and termination benefits. 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 has \$3,935,000 in remaining principal to pay on the Local Option Sales and Services Tax Revenue Bonds and the last payment is scheduled for July 1, 2013.

The District has \$355,000 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 has two employees that will be receiving termination benefits in fiscal year 2009. This is up from 2008 when only one employee took advantage of this benefit.

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

	Total School District		Percentage
	2008	2007	Change
			2007-2008
	\$	\$	
General Obligation Bonds	355,000	850,000	(58.24)%
Local Option Sales and Services Tax Revenue Bonds	3,935,000	4,385,000	(10.26)%
Early Retirement	51,844	26,280	97.28%
Total	4,341,844	5,261,280	(17.48)%

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 eighth year in a row in October 2008 1.6 students, or 0.16% of the enrollment of 995.1 in 2007-2008. School financing is highly dependent upon student enrollment. This drop in enrollment will decrease the District's funding for fiscal year 2010. This was a very minimal decrease and hopefully is a sign that we are reaching some stability in our enrollment. Enrollment stability is a critical element in maintaining a sound financial foundation.
- Over the past eight years the District's enrollment has decreased 147.3 students which has directly resulted in a funding loss of approximately \$700,000. A majority of the funding for the District's budget is based on certified enrollment due to the loss of funds over the past eight years it will be necessary for the District to maintain a close watch on expenditures and spending authority.
- 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 4.0% or \$182,244 for fiscal year 2009. Staff represented by RSEA makeup in wages and benefits 55% 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, 2008

	Governmental Activities	Business Type Activities	Total	Component Unit Roland- Story Community School District Foundation
	\$	\$	\$	\$
Assets				
Cash and investments:				
ISCAP	521,014	11,112	532,126	-
Other	2,672,505	-	2,672,505	782,114
Receivables:				
Property tax:				
Delinquent	36,075	-	36,075	-
Succeeding year	3,154,419	-	3,154,419	-
Accounts	42,276	36	42,312	-
Accrued interest - ISCAP	196	-	196	-
Due from other governments	578,518	-	578,518	-
Inventories	-	3,658	3,658	-
Bond issue costs	42,540	-	42,540	-
Capital assets, net of accumulated depreciation	11,911,824	11,904	11,923,728	-
Total assets	18,959,367	26,710	18,986,077	782,114
Liabilities				
Accounts payable	173,435	36	173,471	-
Salaries and benefits payable	21,237	638	21,875	-
Accrued interest payable	71,084	-	71,084	-
Deferred revenue:				
Succeeding year property tax	3,154,419	-	3,154,419	-
Other	-	7,938	7,938	-
ISCAP warrants payable	514,000	-	514,000	-
ISCAP accrued interest payable	151	-	151	-
ISCAP premium	8,815	-	8,815	-
Long-term liabilities:				
Portion due within one year:				
Bond premium	4,063	-	4,063	-
General obligation bonds payable	355,000	-	355,000	-
Revenue bonds payable	600,000	-	600,000	-
Termination benefits	51,844	-	51,844	-
Portion due after one year:				
Bond premium	21,161	-	21,161	-
Revenue bonds payable	3,335,000	-	3,335,000	-
Total liabilities	8,310,209	8,612	8,318,821	-

See notes to financial statements.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total	Component Unit Roland- Story Community School District Foundation
	\$	\$	\$	\$
Net assets				
Invested in capital assets, net of related debt	7,621,824	11,904	7,633,728	-
Restricted for:				
Scholarships and projects by donors	-	-	-	782,114
State categorical aid	26,898	-	26,898	-
Management levy	215,223	-	215,223	-
Physical plant and equipment levy	257,979	-	257,979	-
Other special revenue purposes	206,464	-	206,464	-
Local option sales and services tax	233,115	-	233,115	-
Debt service	1,291,626	-	1,291,626	-
Unrestricted	796,029	6,194	802,223	-
Total net assets	<u>10,649,158</u>	<u>18,098</u>	<u>10,667,256</u>	<u>782,114</u>

ROLAND-STORY COMMUNITY SCHOOLDISTRICT

Statement of Activities

Year ended June 30, 2008

Functions/Programs	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	4,272,458	566,230	498,726	-
Special	951,140	95,014	82,414	-
Other	1,133,371	302,601	72,010	-
	<u>6,356,969</u>	<u>963,845</u>	<u>653,150</u>	<u>-</u>
Support services:				
Student	144,323	-	-	-
Instructional staff	310,104	-	-	-
Administration	828,271	-	-	-
Operation and maintenance of plant	686,105	31,549	-	-
Transportation	284,201	5,483	-	-
	<u>2,253,004</u>	<u>37,032</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>2,757</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	47,090	-	-	39,805
Long-term debt interest	178,009	-	13,023	-
AEA flowthrough	316,694	-	316,694	-
Depreciation (unallocated)*	314,815	-	-	-
	<u>856,608</u>	<u>-</u>	<u>329,717</u>	<u>39,805</u>
Total governmental activities	9,469,338	1,000,877	982,867	39,805
Business type activities:				
Non-instructional programs:				
Food service operations	431,905	322,128	111,929	-
Total primary government	9,901,243	1,323,005	1,094,796	39,805
Component Unit:				
Roland Story Community School District Foundation	31,664	1,460	54,186	-
Total	<u>9,932,907</u>	<u>1,324,465</u>	<u>1,148,982</u>	<u>39,805</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				

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
\$	\$	\$	\$
(3,207,502)	-	(3,207,502)	-
(773,712)	-	(773,712)	-
(758,760)	-	(758,760)	-
(4,739,974)	-	(4,739,974)	-
(144,323)	-	(144,323)	-
(310,104)	-	(310,104)	-
(828,271)	-	(828,271)	-
(654,556)	-	(654,556)	-
(278,718)	-	(278,718)	-
(2,215,972)	-	(2,215,972)	-
(2,757)	-	(2,757)	-
(7,285)	-	(7,285)	-
(164,986)	-	(164,986)	-
-	-	-	-
(314,815)	-	(314,815)	-
(487,086)	-	(487,086)	-
(7,445,789)	-	(7,445,789)	-
-	2,152	2,152	-
(7,445,789)	2,152	(7,443,637)	-
-	-	-	23,982
(7,445,789)	2,152	(7,443,637)	23,982
2,768,607	-	2,768,607	-
383,383	-	383,383	-
304,496	-	304,496	-
299,463	-	299,463	-
956,757	-	956,757	-
4,009,170	-	4,009,170	-
44,809	741	45,550	-
12,037	-	12,037	-
8,778,722	741	8,779,463	-
1,332,933	2,893	1,335,826	23,982
9,316,225	15,205	9,331,430	758,132
10,649,158	18,098	10,667,256	782,114

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General Fund	Capital Projects - Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
ISCAP	521,014	-	-	521,014
Other	578,524	1,247,289	846,692	2,672,505
Receivables:				
Property tax:				
Delinquent	27,743	-	8,332	36,075
Succeeding year	2,447,259	-	707,160	3,154,419
Accounts	35,967	-	6,309	42,276
Accrued interest - ISCAP	196	-	-	196
Due from other governments	325,739	158,286	94,493	578,518
Total assets	3,936,442	1,405,575	1,662,986	7,005,003
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	139,748	-	33,687	173,435
Salaries and benefits payable	20,858	-	379	21,237
ISCAP warrants payable	514,000	-	-	514,000
ISCAP accrued interest payable	151	-	-	151
ISCAP premium	8,815	-	-	8,815
Deferred revenue:				
Succeeding year property tax	2,447,259	-	707,160	3,154,419
Other	208,280	-	94,493	302,773
Total liabilities	3,339,111	-	835,719	4,174,830
Fund balances:				
Reserved for:				
State categorical aid	26,898	-	-	26,898
Debt service	-	1,172,460	190,250	1,362,710
Unreserved reported in:				
General fund	570,433	-	-	570,433
Special revenue funds	-	-	637,017	637,017
Capital projects funds	-	233,115	-	233,115
Total fund balances	597,331	1,405,575	827,267	2,830,173
Total liabilities and fund balances	3,936,442	1,405,575	1,662,986	7,005,003

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, 2008

	\$
Total fund balances of governmental funds (Exhibit C)	2,830,173
<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.	11,911,824
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	302,773
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.	(71,084)
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds.	42,540
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>(4,367,068)</u>
Net assets of governmental activities (Exhibit A)	<u><u>10,649,158</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Capital Projects - Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,782,955	956,757	862,992	4,602,704
Tuition	527,063	-	-	527,063
Other	213,857	39,805	329,826	583,488
State sources	4,807,683	-	557	4,808,240
Federal sources	151,481	-	-	151,481
Total revenues	<u>8,483,039</u>	<u>996,562</u>	<u>1,193,375</u>	<u>10,672,976</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,219,222	-	26,702	4,245,924
Special	951,140	-	-	951,140
Other	835,205	-	291,203	1,126,408
	<u>6,005,567</u>	<u>-</u>	<u>317,905</u>	<u>6,323,472</u>
Support services:				
Student	144,323	-	-	144,323
Instructional staff	310,104	-	-	310,104
Administration	821,056	-	-	821,056
Operation and maintenance of plant	574,513	-	106,432	680,945
Transportation	253,356	-	1,561	254,917
	<u>2,103,352</u>	<u>-</u>	<u>107,993</u>	<u>2,211,345</u>
Non-instructional programs	-	-	2,757	2,757
Other expenditures:				
Facilities acquisition	-	1,324,773	73,596	1,398,369
Long-term debt:				
Principal	-	-	945,000	945,000
Interest and fiscal charges	-	-	174,721	174,721
AEA flowthrough	316,694	-	-	316,694
	<u>316,694</u>	<u>1,324,773</u>	<u>1,193,317</u>	<u>2,834,784</u>
Total expenditures	<u>8,425,613</u>	<u>1,324,773</u>	<u>1,621,972</u>	<u>11,372,358</u>
Excess (deficiency) of revenues over (under) expenditures	<u>57,426</u>	<u>(328,211)</u>	<u>(428,597)</u>	<u>(699,382)</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Capital Projects - Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Operating transfers in	-	300,000	735,894	1,035,894
Operating transfers out	-	(735,894)	(300,000)	(1,035,894)
Total other financing sources (uses)	-	(435,894)	435,894	-
Net change in fund balances	57,426	(764,105)	7,297	(699,382)
Fund balances beginning of year	539,905	2,169,680	819,970	3,529,555
Fund balances end of year	597,331	1,405,575	827,267	2,830,173

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, 2008

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(699,382)
<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 current year as follows:		
Expenditures for capital assets	1,351,279	
Depreciation expense	<u>(357,192)</u>	994,087
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.		129,295
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.		945,000
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.		(7,351)
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		(25,564)
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.		(7,215)
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>1,332,933</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2008

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	11,112
Accounts receivable	36
Inventories	3,658
Capital assets, net of accumulated depreciation	<u>11,904</u>
Total assets	<u>26,710</u>
Liabilities	
Accounts payable	36
Salaries and benefits payable	638
Deferred revenue	<u>7,938</u>
Total liabilities	<u>8,612</u>
Net assets	
Invested in capital assets, net of related debt	11,904
Unrestricted	<u>6,194</u>
Total net assets	<u><u>18,098</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>322,128</u>
Operating expenses:	
Non-instructional programs:	
Salaries	153,768
Benefits	18,981
Purchased services	7,157
Supplies	249,976
Depreciation	<u>2,023</u>
Total operating expenses	<u>431,905</u>
Operating gain (loss)	<u>(109,777)</u>
Non-operating revenues:	
State sources	5,408
Federal sources	106,521
Interest income	741
Total non-operating revenues	<u>112,670</u>
Net income	2,893
Net assets beginning of year	<u>15,205</u>
Net assets end of year	<u><u>18,098</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2008

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	323,788
Cash payments to employees for services	(172,820)
Cash payments to suppliers for goods or services	<u>(240,107)</u>
Net cash used by operating activities	<u>(89,139)</u>
Cash flows from non-capital financing activities:	
State grants received	5,408
Federal grants received	88,799
Net cash provided by non-capital financing activities	<u>94,207</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(2,192)</u>
Cash flows from investing activities:	
Interest on investments	<u>741</u>
Net increase (decrease) in cash and cash equivalents	3,617
Cash and cash equivalents at beginning of year	<u>7,495</u>
Cash and cash equivalents at end of year	<u><u>11,112</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(109,777)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	17,722
Depreciation	2,023
Decrease (increase) in inventories	(732)
Decrease (increase) in accounts receivable	36
(Decrease) increase in accounts payable	36
(Decrease) increase in salaries and benefits payable	(71)
(Decrease) increase in deferred revenue	<u>1,624</u>
Net cash used by operating activities	<u><u>(89,139)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$17,722 of federal commodities.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

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 attributable to the acquisition, construction, or improvement of those assets.

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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 the 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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, 2008, expenditures did not exceed the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 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, 2008, the District had the following investments:

	<u>Amortized Cost</u>
	\$
Iowa Schools Joint Investment Trust	<u>9,435</u>

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

Goldman Sachs Financial Square Treasury Obligations Fund

Fair Value
\$
1,172,460

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

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer To	Transfer From	Amount
		\$
Capital Projects Fund	Nonmajor Funds: Physical Plant and Equipment Levy Fund	300,000
Nonmajor Debt Service Fund	Capital Projects Fund	735,894

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, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2007-08A	06/27/07	06/27/08	2,825	-	-	-
2008-09A	06/29/08	06/29/09	518,189	196	514,000	151
Total			521,014	196	514,000	151

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 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, 2008, is as follows:

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

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

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2007-08A	4.500	5.455
2008-09A	3.500	3.469

5. Capital Assets

Capital assets activity for the year ended June 30, 2008 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 being depr.	<u>995,551</u>	<u>-</u>	<u>752,339</u>	<u>243,212</u>
Capital assets being depreciated:				
Buildings	12,227,420	2,075,120	-	14,302,540
Improvements other than buildings	287,651	28,498	-	316,149
Furniture and equipment	872,492	-	-	872,492
Total capital assets being deprec.	<u>13,387,563</u>	<u>2,103,618</u>	<u>-</u>	<u>15,491,181</u>
Less accumulated depreciation for:				
Buildings	2,613,924	298,532	-	2,912,456
Improvements other than buildings	140,360	16,283	-	156,643
Furniture and equipment	711,093	42,377	-	753,470
Total accumulated depreciation	<u>3,465,377</u>	<u>357,192</u>	<u>-</u>	<u>3,822,569</u>
Total capital assets being depreciated, net	<u>9,922,186</u>	<u>1,746,426</u>	<u>-</u>	<u>11,668,612</u>
Governmental activities capital assets, net	<u>10,917,737</u>	<u>1,746,426</u>	<u>752,339</u>	<u>11,911,824</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	67,209	2,193	-	69,402
Less accumulated depreciation	<u>55,474</u>	<u>2,023</u>	-	<u>57,498</u>
 Business type activities capital assets, net	 <u>11,735</u>	 <u>170</u>	 -	 <u>11,904</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	970
Other	6,963
Support services:	
Operation and maintenance of plant	5,160
Transportation	<u>29,284</u>
	42,377
Unallocated depreciation	<u>314,815</u>
 Total depreciation expense – governmental activities	 <u>357,192</u>
 Business type activities:	
Food services	<u>2,023</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	850,000	-	495,000	355,000	355,000
Local option sales and services tax revenue bonds	4,385,000	-	450,000	3,935,000	600,000
Termination benefits	<u>26,280</u>	<u>51,844</u>	<u>26,280</u>	<u>51,844</u>	<u>51,844</u>
 Total	 <u>5,261,280</u>	 <u>51,844</u>	 <u>971,280</u>	 <u>4,341,844</u>	 <u>1,006,844</u>

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, 2008, the District has an obligation to two participants for early retirement benefits. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$26,280.

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May, 1998			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2009	4.55	355,000	16,153	371,153
		<u>355,000</u>	<u>16,153</u>	<u>371,153</u>

Revenue Bonds Payable

Details of the District's June 30, 2008 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of September 2004			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	3.50	560,000	30,860	590,860
2014	3.60	585,000	10,530	595,530
		<u>3,160,000</u>	<u>347,396</u>	<u>3,507,396</u>

Year Ending June 30,	Bond Issue of June 2007			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	3.95	130,000	7,767	137,767
2014	4.00	130,000	2,600	132,600
		<u>775,000</u>	<u>91,735</u>	<u>866,735</u>

The District has pledged future local option sales and services tax revenues to repay the \$4,100,000 bonds issued in September 2004 and the \$775,000 bonds issued in June 2007. The 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 and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 80 percent of the local option sales

and services tax revenues. The total principal and interest remaining to be paid on the notes are \$3,507,395 and \$866,735 respectively. For the current year \$566,030 in principal and interest was paid on the September 2004 bond, and \$17,614 in interest was paid on the June 2007 bond. The total current year local option sales and services tax revenues were \$956,757.

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 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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$333,652, \$301,039 and \$289,823 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 \$316,694 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Construction Commitment

The District has entered into a \$55,730 contract for roofing. Work on the project had not started at June 30, 2008

REQUIRED SUPPLEMENTARY INFORMATION

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	5,713,255	322,869	6,036,124	5,941,551	5,941,551	94,573
State sources	4,808,240	5,408	4,813,648	4,883,228	4,883,228	(69,580)
Federal sources	151,481	106,521	258,002	359,000	359,000	(100,998)
Total revenues	<u>10,672,976</u>	<u>434,798</u>	<u>11,107,774</u>	<u>11,183,779</u>	<u>11,183,779</u>	<u>(76,005)</u>
Expenditures/Expenses:						
Instruction	6,323,472	-	6,323,472	6,579,951	6,579,951	256,479
Support services	2,211,345	-	2,211,345	2,261,835	2,261,835	50,490
Non-instructional programs	2,757	431,905	434,662	439,760	439,760	5,098
Other expenditures	2,834,784	-	2,834,784	3,246,721	3,246,721	411,937
Total expenditures/expenses	<u>11,372,358</u>	<u>431,905</u>	<u>11,804,263</u>	<u>12,528,267</u>	<u>12,528,267</u>	<u>724,004</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(699,382)	2,893	(696,489)	(1,344,488)	(1,344,488)	647,999
Balance beginning of year	<u>3,529,555</u>	<u>15,205</u>	<u>3,544,760</u>	<u>2,484,788</u>	<u>2,484,788</u>	<u>1,059,972</u>
Balance end of year	<u><u>2,830,173</u></u>	<u><u>18,098</u></u>	<u><u>2,848,271</u></u>	<u><u>1,140,300</u></u>	<u><u>1,140,300</u></u>	<u><u>1,707,971</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its budget during the year.

OTHER SUPPLEMENTARY INFORMATION

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

Assets	Special Revenue Funds				
	Management	Student	Physical	Debt Service	Total
	Levy	Activity Fund	Plant and Equipment Levy		
\$	\$	\$	\$	\$	
Cash and pooled investments	268,723	223,309	168,007	186,653	846,692
Receivables:					
Property tax:					
Delinquent	1,877	-	2,858	3,597	8,332
Succeeding year	175,000	-	311,007	221,153	707,160
Accounts	-	6,309	-	-	6,309
Due from other governments	-	-	94,493	-	94,493
Total assets	445,600	229,618	576,365	411,403	1,662,986
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	3,533	22,775	7,379	-	33,687
Salaries and benefits payable	-	379	-	-	379
Deferred revenue:					
Succeeding year property tax	175,000	-	311,007	221,153	707,160
Other	-	-	94,493	-	94,493
Total liabilities	178,533	23,154	412,879	221,153	835,719
Fund balances:					
Reserved for debt service	-	-	-	190,250	190,250
Unreserved reported in:					
Special revenue funds	267,067	206,464	163,486	-	637,017
Total fund balances	267,067	206,464	163,486	190,250	827,267
Total liabilities and fund balances	445,600	229,618	576,365	411,403	1,662,986

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Special Revenue Funds				Total
	Management	Student	Physical	Debt Service	
	Levy	Activity Fund	Plant and Equipment Levy		
\$	\$	\$	\$	\$	
Revenues:					
Local sources:					
Local tax	175,113	-	304,496	383,383	862,992
Other	13,509	302,911	383	13,023	329,826
State sources	115	-	196	246	557
Total revenues	<u>188,737</u>	<u>302,911</u>	<u>305,075</u>	<u>396,652</u>	<u>1,193,375</u>
Expenditures:					
Current:					
Instruction:					
Regular	26,702	-	-	-	26,702
Other	-	291,203	-	-	291,203
Support services:					
Operation and maintenance of plant	106,432	-	-	-	106,432
Transportation	1,561	-	-	-	1,561
Non-instructional programs	2,757	-	-	-	2,757
Other expenditures:					
Facilities acquisition	-	-	73,596	-	73,596
Long-term debt:					
Principal	-	-	-	945,000	945,000
Interest and fiscal charges	-	-	-	174,721	174,721
Total expenditures	<u>137,452</u>	<u>291,203</u>	<u>73,596</u>	<u>1,119,721</u>	<u>1,621,972</u>
Excess (deficiency) of revenues over (under) expenditures	51,285	11,708	231,479	(723,069)	(428,597)
Other financing sources (uses):					
Operating transfers in	-	-	-	735,894	735,894
Operating transfers out	-	-	(300,000)	-	(300,000)
Total other financing sources (uses)	-	-	(300,000)	735,894	435,894
Net change in fund balance	51,285	11,708	(68,521)	12,825	7,297
Fund balances beginning of year	<u>215,782</u>	<u>194,756</u>	<u>232,007</u>	<u>177,425</u>	<u>819,970</u>
Fund balances end of year	<u><u>267,067</u></u>	<u><u>206,464</u></u>	<u><u>163,486</u></u>	<u><u>190,250</u></u>	<u><u>827,267</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<u>Account</u>	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
General athletics	833	11,517	8,545	-	3,805
Interest	10,803	310	5,000	-	6,113
Gifts/RIF	11,105	2,135	4,095	-	9,145
<u>ELEMENTARY</u>					
Student council	5,919	4,835	6,005	-	4,749
OCA	1,619	-	43	-	1,576
Helping hands	362	-	-	-	362
Pencil project	667	-	351	-	316
S.N. penny drive	398	509	-	-	907
<u>MIDDLE SCHOOL</u>					
Vocal music	170	1,813	1,203	-	780
Instrumental music	2,266	3,148	2,431	-	2,983
Student council	7,636	7,307	9,634	-	5,309
<u>HIGH SCHOOL</u>					
Speech/drama/musical	12,912	7,204	6,173	-	13,943
Vocal music	15,638	3,318	2,952	-	16,004
Instrumental music	4,688	4,085	3,223	-	5,550
Music uniforms	2,870	2,160	2,240	-	2,790
Cross country	-	2,477	2,312	-	165
Boys basketball	4,754	7,834	7,008	-	5,580
Boys football	7,922	38,134	27,864	-	18,192
Boys baseball	-	18,076	18,076	-	-
Boys track	4,210	3,818	2,637	-	5,391
Boys golf	-	1,313	1,313	-	-
Wrestling	5,499	15,926	13,142	-	8,283
Girls basketball	3,290	17,848	16,382	-	4,756
Girls volleyball	571	10,750	11,321	-	-
Girls softball	-	19,716	19,716	-	-
Girls track	502	952	1,454	-	-
Girls golf	-	1,041	709	-	332
Yearbook	1,664	2,320	1,997	-	1,987
FFA	9,316	25,591	24,325	-	10,582
FCCLA	1,491	3,293	3,447	-	1,337
Student council	5,319	5,374	5,803	(361)	4,529
Student senate	(716)	-	-	716	-
Honor Society	1	2,830	2,830	(1)	-
HOSA	782	9,859	7,458	-	3,183
Cheerleaders	1,281	4,082	4,943	-	420

See accompanying independent auditor's report.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Intra-Fund Transfers \$	Balance End of Year \$
Key club	2,112	1,012	952	-	2,172
Norse news	1,479	-	-	-	1,479
Student awards	23,031	2,118	6,723	-	18,426
Student resale	354	-	-	(354)	-
Pop fund	2,298	336	562	-	2,072
Concessions	36,108	43,192	42,315	-	36,985
Class of 2009	515	16,648	10,953	-	6,210
Class of 2008	5,087	30	5,066	-	51
Total	<u>194,756</u>	<u>302,911</u>	<u>291,203</u>	<u>-</u>	<u>206,464</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			
	2008	2007	2006	2005
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	4,602,704	4,340,770	4,036,115	3,798,784
Tuition	527,063	463,916	364,822	383,429
Other	583,488	725,855	530,474	464,237
Intermediate sources	-	11,095	-	-
State sources	4,808,240	4,741,516	4,454,045	4,401,245
Federal sources	151,481	130,983	131,095	133,265
Total revenues	10,672,976	10,414,135	9,516,551	9,180,960
Expenditures:				
Instruction:				
Regular	4,245,924	3,986,764	3,802,510	3,813,244
Special	951,140	945,853	980,878	833,874
Other	1,126,408	1,104,630	940,131	953,220
Support services:				
Student	144,323	164,147	156,012	162,878
Instructional staff	310,104	280,103	309,591	311,363
Administration	821,056	777,993	737,648	773,446
Operation and maintenance of plant	680,945	649,469	617,655	588,619
Transportation	254,917	210,919	229,121	240,359
Non-instructional programs	2,757	2,051	235	-
Other expenditures:				
Facilities acquisition	1,398,369	848,843	3,162,653	729,417
Long-term debt:				
Principal	945,000	975,000	660,000	685,000
Interest and other charges	174,721	194,485	226,284	162,114
AEA flowthrough	316,694	306,665	288,699	283,677
Total expenditures	11,372,358	10,446,922	12,111,417	9,537,211

Gary E. Horton CPA

PO Box 384
902 Central Ave. E.
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 5, 2009. 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 08-I-A and 08-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, 2008 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

January 5, 2009

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

08-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, limiting access to the board president's signature stamp, 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: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

08-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, 2008

Part II: Other Findings Related to Statutory Reporting:

08-II-A Certified Budget: Expenditures for the year ended June 30, 2008, did not exceed the amounts budgeted.

08-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.

08-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.

08-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	70

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.

08-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.

08-II-F Board Minutes: No transactions requiring Board approval which had not been approved by the Board were noted.

08-II-G Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on Line 7 of the Certified Enrollment Certification Form for October 2007, was understated by one student and the number of students used in the calculation of supplemental weighting in line 12 included open enrollment in students.

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

District Response: We will contact these departments.

Conclusion: Response accepted.

08-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.

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