

ROCKWELL CITY/LYTTON

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

June 30, 2009

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	15
Statement of Activities	B	16-17
Governmental Fund Financial Statements:		
Balance Sheet	C	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	21
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	23
Statement of Cash Flows	I	24
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	25
Notes to Financial Statements		26-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		36
Notes to Required Supplementary Information - Budgetary Reporting		37
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	39
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	40
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	41-42
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4	43
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5	44
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 <u>Government Auditing Standards</u>		45-46
Schedule of Findings and Responses		47-50

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
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
Rockwell City/Lytton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rockwell City/Lytton Community School District, Rockwell City, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rockwell City/Lytton Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated April 29, 2010 on our consideration of Rockwell City/Lytton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rockwell City/Lytton Community School District's basic financial statements. 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, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the two years ended June 30, 2005, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

April 29, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Rockwell City/Lytton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,243,374 in fiscal 2008 to \$4,714,774 in fiscal 2009, while General Fund expenditures increased from \$4,662,775 in fiscal 2008 to \$4,876,368 in fiscal 2009. The District's General Fund balance decreased from \$(212,594) in fiscal 2008 to \$(371,492) in fiscal 2009, a 75% decrease.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2009. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Rockwell City/Lytton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Rockwell City/Lytton Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

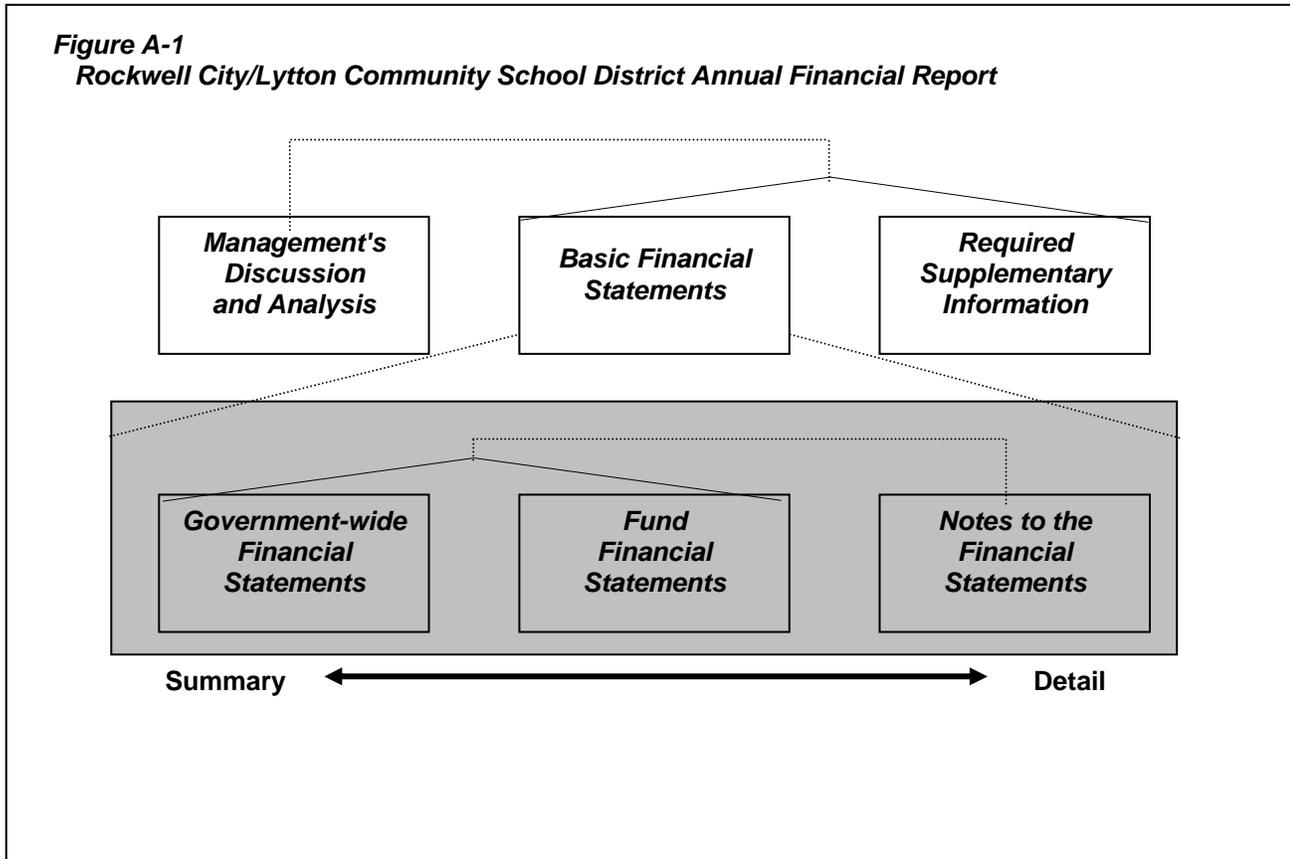


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- 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.
- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.
- Agency Funds – These are funds through which the District administers and accounts for certain monies on behalf of other entities.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2009-2008
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,724,508	3,562,106	7,335	12,431	4,731,843	3,574,537	32%
Capital assets	1,579,137	1,626,844	19,388	22,994	1,598,525	1,649,838	-3%
Total assets	6,303,645	5,188,950	26,723	35,425	6,330,368	5,224,375	21%
Long-term liabilities	166,875	30,700	-	-	166,875	30,700	444%
Other liabilities	4,174,118	3,038,372	2,414	2,501	4,176,532	3,040,873	37%
Total liabilities	4,340,993	3,069,072	2,414	2,501	4,343,407	3,071,573	41%
Net Assets:							
Invested in capital assets, net of related debt	1,579,137	1,626,844	19,388	22,994	1,598,525	1,649,838	-3%
Restricted	999,642	766,372	-	-	999,642	766,372	30%
Unrestricted	(616,127)	(273,338)	4,921	9,930	(611,206)	(263,408)	-132%
TOTAL NET ASSETS	1,962,652	2,119,878	24,309	32,924	1,986,961	2,152,802	-8%

The District's combined net assets decreased by nearly 8%, or approximately \$165,841, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$347,798 or 132% over the prior year. The decrease was primarily a result of increased expenditures. The Local Option Sales Tax balance increased for spending on future planned projects.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$347,798, or 132%.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	537,492	546,692	138,226	129,555	675,718	676,247	<-1%
Operating grants & contributions and restricted interest	904,171	677,612	110,428	107,409	1,014,599	785,021	29%
Capital grants & contributions and restricted interest	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	1,959,967	1,679,089	-	-	1,959,967	1,679,089	17%
Income Surtax	-	-	-	-	-	-	0%
Statewide sales & services tax	292,832	285,718	-	-	292,832	285,718	2%
Unrestricted state grants	1,650,573	1,660,106	-	-	1,650,573	1,660,106	-1%
Unrestricted investment earnings	35,118	22,914	13	83	35,131	22,997	53%
Other revenue	2,696	22,271	-	-	2,696	22,271	-88%
Total Revenues	5,382,849	4,894,402	248,667	237,047	5,631,516	5,131,449	10%
Expenses:							
Instruction	3,849,138	3,357,925	-	-	3,849,138	3,357,925	15%
Support services	1,368,062	1,516,526	-	-	1,368,062	1,516,526	-10%
Non-instructional programs	196	220	257,282	257,520	257,478	257,740	<-1%
Other expenditures	322,679	354,508	-	-	322,679	354,508	-9%
Total expenses	5,540,075	5,229,179	257,282	257,520	5,797,357	5,486,699	6%
Change in net assets before Transfers	(157,226)	(334,777)	(8,615)	(20,473)	(165,841)	(355,250)	53%
Transfers	-	-	-	-	-	-	
CHANGE IN NET ASSETS	(157,226)	(334,777)	(8,615)	(20,473)	(165,841)	(355,250)	53%
Net assets beginning of year	2,119,878	2,454,655	32,924	53,397	2,152,802	2,508,052	-14%
Net assets end of year	1,962,652	2,119,878	24,309	32,924	1,986,961	2,152,802	-8%

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,382,849 and expenses were \$5,540,075. In a difficult budget year, the District overspent revenues by not making the necessary reductions in expenditures, primarily personnel costs, in a timely manner.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2009 \$	Total Cost of Services 2008 \$	Net Cost of Services 2009 \$	Net Cost of Services 2008 \$
Instruction	3,849,138	3,357,925	2,593,115	2,308,390
Support Services	1,368,062	1,516,526	1,365,425	1,513,505
Non-instructional Programs	196	220	196	220
Other Expenses	322,679	354,508	139,676	182,760
TOTAL	5,540,075	5,229,179	4,098,412	4,004,875

- The cost financed by users of the District's programs was \$537,492. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$904,171.
- The net cost of governmental activities was financed with \$2,252,799 in property and other taxes and \$1,650,573 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$248,667 and expenses were \$257,282. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Rockwell City/Lytton 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 \$550,390, above last year's ending fund balances of \$523,734.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use a portion of the carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$(212,594) to \$(371,492), due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Capital Projects Fund balance increased due to keeping expenditures less than revenues. Fiscal 2009 ended with a balance of \$730,623.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$48,413 in fiscal 2008 to 71,725 in fiscal 2009.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$32,924 at June 30, 2008 to \$24,309 at June 30, 2009, representing a decrease of approximately 26%. For fiscal 2009, supply and personnel expenses increased more than revenues.

BUDGETARY HIGHLIGHTS

The District's receipts were \$64,761 less than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving less in local income than originally anticipated.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009 the District had invested \$1.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 3% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$165,604.

During fiscal year 2009 the District's main expenditures for in the Capital Assets area related to technology.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2007-2008
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Land	92,000	92,000	-	-	92,000	92,000	0%
Buildings	965,008	971,169	-	-	965,008	971,169	-1%
Improvements	413,741	474,676	-	-	413,741	474,676	-13%
Equipment & Furniture	108,388	88,999	19,388	22,994	127,776	111,993	14%
TOTAL	1,579,137	1,626,844	19,388	22,994	1,598,525	1,649,838	-3%

Long-Term Debt

At June 30, 2009 the District had \$166,875 in long-term debt outstanding.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2008-2009
	2009	2008	
	\$	\$	
Termination benefits	138,030	-	100%
Compensated absences	28,845	30,700	-6%
	166,875	30,700	444%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- The school met before the SBRC due to the over spending in the 2009 Fiscal school year and discussed with them a corrective action plan the school can put together to move the district to a positive unspent balance within the next three years or sooner. The corrective action plan that will be put in place will both increase revenue and decrease expenditures

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Superintendent, Jeff Kruse, 1000 Tonawanda, Rockwell City, Iowa 50579.

BASIC FINANCIAL STATEMENTS

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	1,378,034	-	1,378,034
Other	771,215	3,587	774,802
Receivables:			
Property tax:			
Delinquent	21,242	-	21,242
Succeeding year	2,313,565	-	2,313,565
Accounts	2,137	62	2,199
Accrued interest - ISCAP	4,671	-	4,671
Due from other governments	233,644	-	233,644
Inventories	-	3,686	3,686
Capital assets, net of accumulated depreciation	1,579,137	19,388	1,598,525
Total assets	6,303,645	26,723	6,330,368
Liabilities			
Accounts payable	23,458	-	23,458
Salaries and benefits payable	406,357	-	406,357
Deferred revenue:			
Succeeding year property tax	2,313,565	-	2,313,565
Other	43,862	2,414	46,276
ISCAP warrants payable	1,358,000	-	1,358,000
ISCAP accrued interest payable	6,702	-	6,702
ISCAP premium	22,174	-	22,174
Long-term liabilities:			
Portion due within one year:			
Termination benefits	29,460	-	29,460
Compensated absences	9,615	-	9,615
Portion due after one year:			
Termination benefits	108,570	-	108,570
Compensated absences	19,230	-	19,230
Total Liabilities	4,340,993	2,414	4,343,407
Net assets			
Invested in capital assets, net of related debt	1,579,137	19,388	1,598,525
Restricted for:			
Categorical funding	120,928	-	120,928
Physical plant and equipment levy	71,725	-	71,725
Other special revenue purposes	76,366	-	76,366
Sales tax capital projects	730,623	-	730,623
Unrestricted	(616,127)	4,921	(611,206)
Total net assets	1,962,652	24,309	1,986,961

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,448,893	217,177	669,446	-
Special	561,012	104,332	29,381	-
Other	839,233	214,644	21,043	-
	<u>3,849,138</u>	<u>536,153</u>	<u>719,870</u>	<u>-</u>
Support services:				
Student	52,991	-	-	-
Instructional staff	102,894	-	-	-
Administration	618,598	-	-	-
Operation and maintenance of plant	377,469	1,339	-	-
Transportation	216,110	-	1,298	-
	<u>1,368,062</u>	<u>1,339</u>	<u>1,298</u>	<u>-</u>
Non-instructional programs	<u>196</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	11,569	-	-	-
AEA flowthrough	183,003	-	183,003	-
Depreciation (unallocated)*	128,107	-	-	-
	<u>322,679</u>	<u>-</u>	<u>183,003</u>	<u>-</u>
Total governmental activities	<u>5,540,075</u>	<u>537,492</u>	<u>904,171</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>257,282</u>	<u>138,226</u>	<u>110,428</u>	<u>-</u>
Total	<u>5,797,357</u>	<u>675,718</u>	<u>1,014,599</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,562,270)	-	(1,562,270)
(427,299)	-	(427,299)
(603,546)	-	(603,546)
<u>(2,593,115)</u>	<u>-</u>	<u>(2,593,115)</u>
(52,991)	-	(52,991)
(102,894)	-	(102,894)
(618,598)	-	(618,598)
(376,130)	-	(376,130)
(214,812)	-	(214,812)
<u>(1,365,425)</u>	<u>-</u>	<u>(1,365,425)</u>
(196)	-	(196)
(11,569)	-	(11,569)
-	-	-
(128,107)	-	(128,107)
<u>(139,676)</u>	<u>-</u>	<u>(139,676)</u>
(4,098,412)	-	(4,098,412)
-	(8,628)	(8,628)
<u>(4,098,412)</u>	<u>(8,628)</u>	<u>(4,107,040)</u>
1,905,397	-	1,905,397
54,570	-	54,570
292,832	-	292,832
1,650,573	-	1,650,573
35,118	13	35,131
2,696	-	2,696
<u>3,941,186</u>	<u>13</u>	<u>3,941,199</u>
(157,226)	(8,615)	(165,841)
<u>2,119,878</u>	<u>32,924</u>	<u>2,152,802</u>
<u><u>1,962,652</u></u>	<u><u>24,309</u></u>	<u><u>1,986,961</u></u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
ISCAP	1,378,034	-	-	1,378,034
Other	34,630	553,061	183,524	771,215
Receivables:				
Property tax:				
Delinquent	19,784	-	1,458	21,242
Succeeding year	2,074,764	-	238,801	2,313,565
Accounts	2,137	-	-	2,137
Accrued interest - ISCAP	4,671	-	-	4,671
Interfund receivable	-	93,529	8,054	101,583
Due from other governments	149,611	84,033	-	233,644
Total assets	<u>3,663,631</u>	<u>730,623</u>	<u>431,837</u>	<u>4,826,091</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	21,681	-	1,777	23,458
Salaries and benefits payable	406,357	-	-	406,357
Interfund payable	101,583	-	-	101,583
ISCAP warrants payable	1,358,000	-	-	1,358,000
ISCAP accrued interest payable	6,702	-	-	6,702
ISCAP premium	22,174	-	-	22,174
Deferred revenue:				
Succeeding year property tax	2,074,764	-	238,801	2,313,565
Other	43,862	-	-	43,862
Total liabilities	<u>4,035,123</u>	<u>-</u>	<u>240,578</u>	<u>4,275,701</u>
Fund balances:				
Reserved for:				
Categorical funding	120,928	-	-	120,928
Unreserved reported in:				
General fund	(492,420)	-	-	(492,420)
Special revenue funds	-	-	191,259	191,259
Capital projects funds	-	730,623	-	730,623
Total fund balances	<u>(371,492)</u>	<u>730,623</u>	<u>191,259</u>	<u>550,390</u>
Total liabilities and fund balances	<u>3,663,631</u>	<u>730,623</u>	<u>431,837</u>	<u>4,826,091</u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

	\$
Total fund balances of governmental funds (Exhibit C)	550,390
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,579,137
Long-term liabilities, including termination benefits and compensated absences, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(166,875)</u>
Net assets of governmental activities (Exhibit A)	<u><u>1,962,652</u></u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local property tax	1,825,473	-	134,491	1,959,964
Statewide sales tax	-	292,832	-	292,832
Tuition	241,541	-	-	241,541
Other	93,107	2,495	235,469	331,071
State sources	2,387,932	-	92	2,388,024
Federal sources	166,721	-	-	166,721
Total revenues	<u>4,714,774</u>	<u>295,327</u>	<u>370,052</u>	<u>5,380,153</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,269,494	32,133	55,278	2,356,905
Special	561,012	-	-	561,012
Other	615,303	-	223,930	839,233
	<u>3,445,809</u>	<u>32,133</u>	<u>279,208</u>	<u>3,757,150</u>
Support services:				
Student	52,991	-	-	52,991
Instructional staff	102,894	-	-	102,894
Administration	561,921	-	56,677	618,598
Operation and maintenance of plant	347,483	26,013	29,929	403,425
Transportation	182,071	-	8,498	190,569
	<u>1,247,360</u>	<u>26,013</u>	<u>95,104</u>	<u>1,368,477</u>
Non-instructional programs	<u>196</u>	<u>-</u>	<u>-</u>	<u>196</u>
Other expenditures:				
Facilities acquisition	-	47,367	-	47,367
AEA flowthrough	183,003	-	-	183,003
	<u>183,003</u>	<u>47,367</u>	<u>-</u>	<u>230,370</u>
Total expenditures	<u>4,876,368</u>	<u>105,513</u>	<u>374,312</u>	<u>5,356,193</u>
Excess (deficiency) of revenues over (under)	(161,594)	189,814	(4,260)	23,960
Other financing sources (uses):				
Sales of equipment	2,696	-	-	2,696
Net change in fund balances	(158,898)	189,814	(4,260)	26,656
Fund balances beginning of year	<u>(212,594)</u>	<u>540,809</u>	<u>195,519</u>	<u>523,734</u>
Fund balances end of year	<u><u>(371,492)</u></u>	<u><u>730,623</u></u>	<u><u>191,259</u></u>	<u><u>550,390</u></u>

See notes to financial statements.

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		26,656
<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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Expenditures for capital assets	114,291	
Depreciation expense	<u>(161,998)</u>	(47,707)
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		(138,030)
Compensated absences		<u>1,855</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>(157,226)</u></u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	3,587
Accounts receivable	62
Inventories	3,686
Capital assets, net of accumulated depreciation	<u>19,388</u>
Total assets	<u>26,723</u>
Liabilities	
Deferred revenue	<u>2,414</u>
Net assets	
Invested in capital assets	19,388
Unrestricted	<u>4,921</u>
Total net assets	<u><u>24,309</u></u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>138,226</u>
Operating expenses:	
Non-instructional programs:	
Salaries	110,142
Benefits	21,878
Purchased services	2,371
Supplies	119,285
Depreciation	3,606
Total operating expenses	<u>257,282</u>
Operating gain (loss)	<u>(119,056)</u>
Non-operating revenues:	
State sources	2,954
Federal sources	107,474
Interest income	13
Total non-operating revenues	<u>110,441</u>
Change in net assets	(8,615)
Net assets beginning of year	<u>32,924</u>
Net assets end of year	<u><u>24,309</u></u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	138,373
Cash payments to employees for services	(132,180)
Cash payments to suppliers for goods or services	(105,468)
Net cash used by operating activities	<u>(99,275)</u>
Cash flows from non-capital financing activities:	
State grants received	2,954
Federal grants received	91,016
Net cash provided by non-capital financing activities	<u>93,970</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>13</u>
Net increase (decrease) in cash and cash equivalents	(5,292)
Cash and cash equivalents at beginning of year	<u>8,879</u>
Cash and cash equivalents at end of year	<u><u>3,587</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(119,056)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	16,458
Depreciation	3,606
Decrease (increase) in inventories	(269)
Decrease (increase) in accounts receivable	73
(Decrease) increase in salaries and benefits payable	(160)
(Decrease) increase in deferred revenue	73
Net cash used by operating activities	<u><u>(99,275)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$16,458 of federal commodities.

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	<u>Agency</u>
	<u>\$</u>
Assets	
Cash and pooled investments	544
Liabilities	
Other payables	<u>544</u>
Net Assets	<u><u>-</u></u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt 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 instructional, support and other costs.

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

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

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

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

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts 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, 2009, the District exceeded its published budget in the instruction functional area.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	505,621

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

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

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
Capital Projects Fund	General Fund	93,529
Nonmajor Management Fund	General Fund	8,054

The Management and Capital Projects funds loaned the General Fund money for cash flow.

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, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2008-09B	1/21/09	1/21/10	493,243	4,562	487,000	6,404
2009-10A	6/25/09	6/23/10	884,791	109	871,000	298
Totals			<u>1,378,034</u>	<u>4,671</u>	<u>1,358,000</u>	<u>6,702</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date 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, 2009, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	140,000	140,000	-

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

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2008-09B	3.00	2.110
2009-10A	2.50	0.902

5. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	92,000	-	-	92,000
Capital assets being depreciated:				
Buildings	3,311,425	45,761	-	3,357,186
Improvements other than buildings	2,603,160	15,250	-	2,618,410
Furniture and equipment	954,143	53,280	-	1,007,423
Total capital assets being deprec.	6,868,728	114,291	-	6,983,019
Less accumulated depreciation for:				
Buildings	2,340,256	51,922	-	2,392,178
Improvements other than buildings	2,128,484	76,185	-	2,204,669
Furniture and equipment	865,144	33,891	-	899,035
Total accumulated depreciation	5,333,884	161,998	-	5,495,882
Total capital assets being depreciated, net	1,534,844	(47,707)	-	1,487,137
Governmental activities capital assets, net	1,626,844	(47,707)	-	1,579,137
Business type activities:				
Furniture and equipment	69,597	-	-	69,597
Less accumulated depreciation	46,603	3,606	-	50,209
Business type activities capital assets, net	22,994	(3,606)	-	19,388

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	8,293
Support services:	
Operation and Maintenance	57
Transportation	<u>25,541</u>
	33,891
Unallocated depreciation	<u>128,107</u>
	161,998
Total depreciation expense – governmental activities	<u><u>161,998</u></u>
Business type activities:	
Food services	<u><u>3,606</u></u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows:

	<u>Balance</u> <u>Beginning of</u> <u>Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End</u> <u>of Year</u>	<u>Due Within</u> <u>One Year</u>
	\$	\$	\$	\$	\$
Termination benefits	-	195,030	57,000	138,030	29,460
Compensated absences	<u>30,700</u>	<u>11,987</u>	<u>13,842</u>	<u>28,845</u>	<u>9,615</u>
Totals	<u><u>30,700</u></u>	<u><u>207,017</u></u>	<u><u>70,842</u></u>	<u><u>166,875</u></u>	<u><u>39,075</u></u>

Termination Benefits

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

At June 30, 2009, the District has obligations to five participants with a total liability of \$138,030. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$57,000.

7. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$189,095 \$177,201, and \$161,025 respectively, equal to the required contributions for each year.

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$183,003 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Related Party Transactions

Jo Grodahl, a board member, is the owner of Agents, Inc. During the year ended June 30, 2009 Rockwell City/Lytton Community School District paid approximately \$63,518 for property, liability and workmen's compensation insurance premiums through this business.

11. Operating Leases

The District has entered into non-cancelable operating leases for copy machines typically for 60 monthly payments on each lease. Payments are due as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2010	\$ 1,689

12. Fund Deficit

The General Fund has a deficit unreserved fund balance of \$492,420 at June 30, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

ROCKWELL CITY/LYTTON 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, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,825,408	138,239	2,963,647	3,006,239	3,006,239	(42,592)
Intermediate sources	-	-	-	13,000	13,000	(13,000)
State sources	2,388,024	2,954	2,390,978	2,495,342	2,495,342	(104,364)
Federal sources	166,721	107,474	274,195	179,000	179,000	95,195
Total revenues	<u>5,380,153</u>	<u>248,667</u>	<u>5,628,820</u>	<u>5,693,581</u>	<u>5,693,581</u>	<u>(64,761)</u>
Expenditures/Expenses:						
Instruction	3,757,150	-	3,757,150	3,377,531	3,377,531	(379,619)
Support services	1,368,477	-	1,368,477	1,696,453	1,696,453	327,976
Non-instructional programs	196	257,282	257,478	324,127	324,127	66,649
Other expenditures	230,370	-	230,370	385,825	385,825	155,455
Total expenditures/expenses	<u>5,356,193</u>	<u>257,282</u>	<u>5,613,475</u>	<u>5,783,936</u>	<u>5,783,936</u>	<u>170,461</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	23,960	(8,615)	15,345	(90,355)	(90,355)	105,700
Other financing sources (uses) net	<u>2,696</u>	<u>-</u>	<u>2,696</u>	<u>16,000</u>	<u>16,000</u>	<u>(13,304)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	26,656	(8,615)	18,041	(74,355)	(74,355)	92,396
Balance beginning of year	<u>523,734</u>	<u>32,924</u>	<u>556,658</u>	<u>913,006</u>	<u>913,006</u>	<u>(356,348)</u>
Balance end of year	<u>550,390</u>	<u>24,309</u>	<u>574,699</u>	<u>838,651</u>	<u>838,651</u>	<u>(263,952)</u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

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.

During the year ended June 30, 2009, expenditures in the instruction function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	\$	\$
Cash and pooled investments	34,248	78,143	71,133	183,524
Receivables:				
Property tax:				
Delinquent	866	-	592	1,458
Succeeding year	179,999	-	58,802	238,801
Interfund receivable	8,054	-	-	8,054
Total assets	223,167	78,143	130,527	431,837
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	1,777	-	1,777
Deferred revenue:				
Succeeding year property tax	179,999	-	58,802	238,801
Total liabilities	179,999	1,777	58,802	240,578
Fund balances:				
Unreserved reported in:				
Special revenue funds	43,168	76,366	71,725	191,259
Total liabilities and fund balances	223,167	78,143	130,527	431,837

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
	\$	Fund	Equipment	\$
	\$	\$	Levy	\$
Revenues:				
Local sources:				
Local tax	79,922	-	54,569	134,491
Other	8,102	227,306	61	235,469
State sources	55	-	37	92
Total revenues	<u>88,079</u>	<u>227,306</u>	<u>54,667</u>	<u>370,052</u>
Expenditures:				
Current:				
Instruction:				
Regular	54,878	-	400	55,278
Other	-	223,930	-	223,930
Support services:				
Administration	25,722	-	30,955	56,677
Operation and maintenance of plant	29,404	525	-	29,929
Transportation	8,498	-	-	8,498
Total expenditures	<u>118,502</u>	<u>224,455</u>	<u>31,355</u>	<u>374,312</u>
Excess (deficiency) of revenues over (under) expenditures	(30,423)	2,851	23,312	(4,260)
Fund balances beginning of year	<u>73,591</u>	<u>73,515</u>	<u>48,413</u>	<u>195,519</u>
Fund balances end of year	<u><u>43,168</u></u>	<u><u>76,366</u></u>	<u><u>71,725</u></u>	<u><u>191,259</u></u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Athletics	8,654	40,710	36,342	(1,801)	11,221
Drama	939	538	556	-	921
Speech	121	1,188	647	-	662
Musical	1,906	89	124	-	1,871
Band	2,283	3,370	4,991	-	662
Band uniforms	98	5,048	5,146	-	-
Band trip	10,824	27,026	34,856	-	2,994
Chorus	311	2,909	1,781	-	1,439
Swing choir	79	-	-	-	79
Choir trip	-	4,010	2,411	-	1,599
Cheerleaders- basketball	18	2,451	1,375	-	1,094
Cheerleaders- wrestling	332	1,174	857	-	649
Cheerleaders- football	123	841	543	-	421
Drill team	3,303	1,493	2,055	-	2,741
Boys basketball	1,090	835	995	-	930
Football	730	-	-	-	730
Varsity gold football	1,369	6,227	5,860	-	1,736
Baseball	-	1,843	2,735	892	-
Wrestling	4	-	-	-	4
Shared wrestling	-	6,816	6,395	-	421
Girls basketball	351	413	443	-	321
Volleyball	733	1,808	1,934	-	607
Softball	294	-	-	-	294
Shared softball	-	1,709	2,619	909	(1)
Class of 2007	-	-	(38)	(38)	-
Class of 2008	19	-	-	(20)	(1)
Class of 2009	2,151	7,461	9,612	-	-
Class of 2010	796	11,041	9,123	-	2,714
Class of 2011	324	3,243	1,964	-	1,603
Class of 2012	-	465	-	-	465
FFA	9,362	44,210	43,222	-	10,350
FCCLA	2,113	7,917	8,959	-	1,071
Academic society	1	-	-	-	1
Yearbook	2,520	6,345	7,689	-	1,176
Art club	181	25	-	-	206
French club	272	139	242	-	169
Student council	304	2,241	2,449	58	154
FFA savings	896	56	-	-	952
Investments	4,165	1,537	-	-	5,702

See accompanying independent auditor's report.

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u> \$	<u>Revenues</u> \$	<u>Expenditures</u> \$	<u>Intra-fund Transfers</u> \$	<u>Balance End of Year</u> \$
Interest-activity checking	-	63	-	-	63
MS athletics	12,166	24,790	23,312	-	13,644
MS drama	164	317	225	-	256
MS music	480	485	914	-	51
MS yearbook	1,280	995	854	-	1,421
MS student council	612	527	804	-	335
Middle school field trips	1,227	300	565	-	962
Elementary student council	224	4,646	1,193	-	3,677
Elementary field trips	696	5	701	-	-
Total	<u>73,515</u>	<u>227,306</u>	<u>224,455</u>	<u>-</u>	<u>76,366</u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2009

		Balance Beginning of Year	Additions	Deductions	Balance End of Year
		\$	\$	\$	\$
	Assets				
Cash		478	529	464	543
	Liabilities				
Other payables		478	529	464	543

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

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

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local property tax	1,959,964	1,679,089	1,675,046	1,427,833	1,318,787	1,762,806
Local option sales tax	292,832	285,718	317,442	259,675	245,565	7,137
Tuition	241,541	283,393	223,674	210,691	128,190	149,258
Other	331,071	286,213	317,819	402,903	319,369	306,494
Intermediate sources	-	-	-	-	1,404	-
State sources	2,388,024	2,190,480	2,196,873	2,161,904	2,186,918	1,835,604
Federal sources	166,721	147,238	146,545	155,607	164,269	140,762
Total revenues	<u>5,380,153</u>	<u>4,872,131</u>	<u>4,877,399</u>	<u>4,618,613</u>	<u>4,364,502</u>	<u>4,202,061</u>
Expenditures:						
Instruction:						
Regular	2,356,905	2,166,862	2,085,360	1,891,028	1,875,677	1,816,424
Special	561,012	553,393	454,385	483,038	431,196	476,273
Other	839,233	603,167	570,574	615,451	593,906	509,610
Support services:						
Student	52,991	160,507	165,587	143,896	138,557	156,799
Instructional staff	102,894	114,508	124,663	131,507	119,087	123,173
Administration	618,598	581,393	516,578	550,555	537,626	514,024
Operation and maintenance	403,425	451,085	388,332	382,870	332,561	326,541
Transportation	190,569	178,534	229,630	189,952	193,631	238,040
Non-instructional programs	196	220	262	299	396	421
Other expenditures:						
Facilities acquisition	47,367	168,626	116,775	99,357	139,194	157,364
AEA flowthrough	183,003	171,748	168,724	163,182	161,511	155,888
Total expenditures	<u>5,356,193</u>	<u>5,150,043</u>	<u>4,820,870</u>	<u>4,651,135</u>	<u>4,523,342</u>	<u>4,474,557</u>

Gary E. Horton CPA

902 Central Ave. E.- PO Box 384
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
Rockwell City/Lytton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Rockwell City/Lytton Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 29, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Rockwell City/Lytton 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 09-I-A and 09-I-B are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

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

April 29, 2010

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

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

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings

June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009, exceeded the amount budgeted in the instruction function.

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

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

Conclusion: Response accepted.

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

09-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.

09-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Jo Grodahl, Board Member, Owner of Agents, Inc.	Insurance	63,518

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

09-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.

09-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings

June 30, 2009

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

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

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

09-II-I Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

09-II-J Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, and then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts.

Conclusion: Response accepted.

09-II-K Statewide Sales and Services Tax: No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings

June 30, 2009

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

	\$	\$
Beginning balance		-
Statewide sales and services tax revenue		292,832
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	47,367	
Equipment	58,146	105,513
	<u> </u>	<u> </u>
Ending balance		<u>187,319</u>

09-II-L Financial Condition: The District has unreserved deficit fund balance in the General Fund of \$492,420 at June 30, 2009.

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

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

Conclusion: Response accepted.

09-II-M Booster Club: We noted the Booster Clubs were using the District's identification numbers but the District does not keep the club's financial records.

Recommendation: The Booster Clubs should cease using the District's identification numbers.

District Response: We have talked to them about this issue.

Conclusion: Response accepted.