

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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Independent Auditor's Report

To the Board of Education of
Roland-Story Community School District:

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

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, 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 report dated November 30, 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 38 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 five years ended June 30, 2008, (which are not presented herein). We disclaimed opinions on the discretely presented component unit and we issued unqualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

November 30, 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, 2009. 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.

2009 FINANCIAL HIGHLIGHTS

- The General Fund ending fund balance decreased from \$597,331 in Fiscal Year 2008 to \$246,861. This decrease of \$350,470 can be attributed to a continued declining enrollment and a 1.5% across-the-board cut mid-year by the State of Iowa.
- The district for the third 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 2009 to cover expenses until state aid was received. This is due to the declining enrollment over the past several years.
- As mentioned in an early highlight the District started a new program at the Elementary School. This Early Childhood Special Education enabled the District to bring two students back into our district that had been tuitioned-out to other Districts. Although this program cost the District \$58,920 we were able to offset some of the costs with charges to regular education students for preschool in the amount of \$10,084. We also opened the program up to other districts in need of the program and were able to bill them for the cost of their tuitioned-in student. In 2008 the District was obligated to pay \$47,117 to other districts that were educating these students.
- The District purchased the building at 305 8th from the Story City Municipal Electric Utility for \$50,000. This building will be the new location for the bus maintenance shop once all the remodeling is complete. The current bus maintenance shop will be razed and this area will be utilized for additional staff parking as per the agreement with the City when the south gym was constructed at the High School.

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.

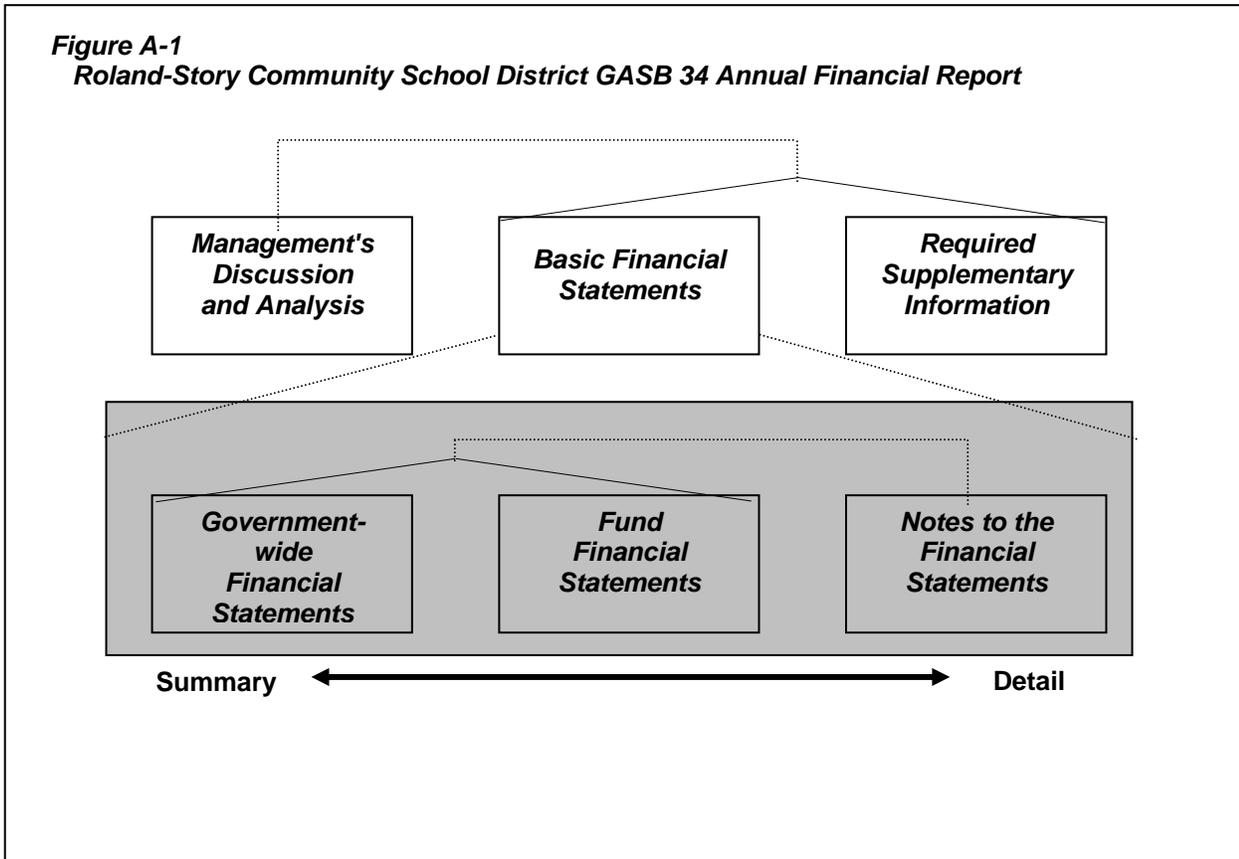


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, 2009 compared to June 30, 2008.

Figure A-3

	Condensed Statement of Net Assets (in thousands of dollars)						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	7,459	7,047	14	15	7,473	7,062	5.82%
Capital assets	11,856	11,912	10	12	11,866	11,924	(.49)%
Total assets	19,315	18,959	24	27	19,339	18,986	1.86%
Long-term liabilities	3,482	4,367	-	-	3,482	4,367	(20.27)%
Other liabilities	4,457	3,943	9	9	4,466	3,952	13.01%
Total liabilities	7,939	8,310	9	9	7,948	8,319	(4.46)%
Net Assets:							
Invested in capital assets, net of related debt	8,521	7,622	10	12	8,531	7,634	11.75%
Restricted	2,450	2,231	-	-	2,450	2,231	9.82%
Unrestricted	405	796	5	6	410	802	(48.88)%
TOTAL NET ASSETS	11,376	10,649	15	18	11,391	10,667	6.79%

The District's total assets increased slightly this year by 1.86% or approximately \$353,000, over the prior year. The district was able to do this mainly due to its participation in ISCAP. ISCAP stands for Iowa School Cash Anticipation Program and was established by the Iowa Association of School Boards to help district that might have shortfalls in their cash flow throughout a year.

Total long-term liabilities decreased by 20.27%, due to the fact the district has paid off all of its General Obligation bonds and did not borrow any money for long-term liabilities during this fiscal year. Other liabilities increased, since the district had approximately \$363,000 more in ISCAP warrants payable at the end of the year.

Overall the total net assets for the District increased 6.79% mostly due to an approximate \$727,000 increase in invested capital assets and restricted assets also increasing slightly. Unrestricted net assets did decrease substantially at 48.88% decline due to the changes in reporting by the Department of Education and an increase in categorical funding resulting in more funds to be restricted, rather than unrestricted.

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	1,000,295	1,000,877	314,770	322,128	1,315,065	1,323,005	(.60)%
Operating grants, contributions and restricted interest	1,315,079	982,867	126,625	111,929	1,441,704	1,094,796	31.69%
Capital grants, contributions and restricted interest	32,851	39,805	-	-	32,851	39,805	(17.47)%
General Revenues:							
Property taxes	3,158,349	3,456,486	-	-	3,158,349	3,456,486	(8.63)%
Income Surtax	304,010	299,463	-	-	304,010	299,463	1.52%
Local option sales tax	993,776	956,757	-	-	993,776	956,757	3.87%
Unrestricted state grants	3,876,650	4,009,170	-	-	3,876,650	4,009,170	(3.31)%
Unrestricted investment earnings	38,667	44,809	298	741	38,965	45,550	(14.46)%
Other revenue	15,830	12,037	-	-	15,830	12,037	31.51%
Total Revenues	10,735,507	10,802,271	441,693	434,798	11,177,200	11,237,069	(.53)%
Expenses:							
Instruction	6,807,944	6,356,969	-	-	6,807,944	6,356,969	7.09%
Support services	2,391,951	2,253,004	-	-	2,391,951	2,253,004	6.17%
Non-instructional programs	38	2,757	444,902	431,905	444,940	434,662	2.36%
Other expenditures	808,349	856,608	-	-	808,349	856,608	(5.63)%
Total expenses	10,008,282	9,469,338	444,902	431,905	10,453,184	9,901,243	5.57%
Change in net assets before Transfers	727,225	1,332,933	(3,209)	2,893	724,016	1,335,826	(45.80)%
Transfers	-	-	-	-	-	-	
CHANGE IN NET ASSETS	727,225	1,332,933	(3,209)	2,893	724,016	1,335,826	(45.80)%
Net assets beginning of year	10,649,158	9,316,225	18,098	15,205	10,667,256	9,331,430	14.32%
Net assets end of year	11,376,383	10,649,158	14,889	18,098	11,391,272	10,667,256	6.79%

The District's operating grants increased 31.69% this year and that can be contributed to the State increasing the Teacher Salary Improvement funds by approximately \$120,000 from the previous year, plus the additional funds for Teacher Quality Core Curriculum and Authentic Intellectual Work. These operating grants are restricted on their uses. The District's investment earnings in both the Governmental and Business-Type activities decreased this year and can be mostly attributed to the current economic conditions nationwide. This year the shift of revenue for Business-Type activities from charges for services to operating grants is due to an increase in the number of students who qualify for the free and reduced meal program, which is also a sign of the current economic conditions.

Governmental Activities

Revenues for governmental activities were \$10,735,507 and expenses were \$10,008,282. Although revenues are higher than expenses it is important to remember that the District is still in a pattern of declining enrollment. At the end of this year the District did receive the first installment of the ARRA (American Recovery and

Reinvestment Act) funds to help maintain educational programs. The stabilization portion of these helped in back filling a portion of the 1 ½ percent across-the-board cut that came at the beginning of 2009.

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

Figure A-5

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

	Total Cost of Services 2009 \$	Total Cost of Services 2008 \$	Net Cost Of Services 2009 \$	Net Cost Of Services 2008 \$
Instruction	6,808	6,357	4,857	4,740
Support Services	2,392	2,253	2,357	2,216
Non-instructional Programs	-	3	-	3
Other Expenses	808	857	446	487
TOTAL	10,008	9,470	7,660	7,446

- The cost financed by users of the District’s programs was \$1,000,295.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,347,930.
- The net cost of governmental activities was financed with \$3,462,359 in property and income surtax taxes and \$3,876,650 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$441,693 and expenses were \$444,902. 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, but due to the fact expenses are in excess of revenue the district will be raising prices in the 2009-2010 year by ten cents a meal at lunch.

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 \$2,721,937, which is a minimal decrease from last year’s ending fund balances of \$2,830,173. The primary reason for the decrease in combined fund balances in fiscal 2009 is as mentioned previously the continued decline in enrollment combined with the across-the-board cuts the balance in the General fund decreased approximately \$350,000.

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 curtailing the direction of the General Fund financial position from a deteriorating one, however with the current economic condition, continued declining enrollment, and across-the-board cuts Fiscal Year 2009 still saw a decline in the fund balance of \$350,470.
- The Capital Projects Fund balance increased slightly from \$1,405,575 to \$1,431,980 in Fiscal Year 2009 this increase was due to a limited number of projects during the current fiscal year.
- The Debt Service Fund balance increased slightly due to interest earned. Fiscal 2009 was the last year the District had General Obligation Bond payments. It is anticipated that the Board in Fiscal 2010 will transfer the ending balance of this fund, which is \$191,471, to the Physical Plant and Equipment Levy which is allowed under Iowa Code.
- The Physical Plant and Equipment Levy Fund saw an increase in fund balance of \$192,797. The District was conservative in their uses of this fund in Fiscal 2009 in anticipation of the need to complete some major projects and the purchase of property in Fiscal 2010.
- The Student Activity Fund and the Management Fund were the only non-major Governmental Fund in Fiscal 2009. The major expenses in the Management Fund this year were for District property insurance and the Early Retirement Incentive. The District made the decision when budgeting for Fiscal Year 2010 to lower the property tax rate asking for the Management Fund from \$175,000 to \$100,000. It was determined by the Board that the District would be able to meet its obligations with the lower amount and help out taxpayers during the current economic times.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$18,098 at June 30, 2008 to \$14,889 at June 30, 2009. Due to this decline in net assets the District decided to raise lunch rates by ten cents per meal in Fiscal 2010. 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 \$203,330 more than budgeted receipts, a variance of 1.85%. Federal sources were higher than budgeted by \$200,205 and State sources were lower by \$109,535. This in part can be attributed to the use of ARRA State Stabilization funds from the Federal Government being used to backfill a portion of the across-the-board cuts.

Total expenditures were less than budgeted, due to the District's efforts to contain spending due to declining enrollment and the current economic condition which resulted in a one and one-half percent across-the-board. 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, 2009, the District had invested \$11.86 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 .48% 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 \$379,608.

The original cost of the District's capital assets was \$16.1 million. Governmental funds account for \$16.03 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 buildings and furniture/equipment categories. This is due to the fact the District purchased the building at 305 8th in Story City to use as the new site for the bus maintenance garage, plus made repairs at the football field complex due to damages from the June 2008 flood. The increase in equipment was from a bus and three multi-function copiers purchased using Physical Plant and Equipment Levy funds.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2008-2009
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Land	268,212	243,212	-0-	-0-	268,212	243,212	10.28%
Construction in progress	-0-	-0-	-0-	-0-	-0-	-0-	0.00%
Buildings	11,207,983	11,390,084	-0-	-0-	11,207,983	11,390,084	(1.60)%
Improvements	196,949	159,506	-0-	-0-	196,949	159,506	23.47%
Equipment & Furniture	183,326	119,022	9,881	11,904	193,207	130,926	47.57%
TOTAL	11,856,470	11,911,824	9,881	11,904	11,866,351	11,923,728	(0.48)%

Long-Term Debt

At June 30, 2009, the District had \$3,460,906 in revenue bonds and termination benefits. The District did make the final payments on the General Obligation bonds in 2009. (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 \$3,335,000 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 five employees that will be receiving termination benefits in fiscal year 2010. This is up from 2009 when only two employees took advantage of this benefit.

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

	Total School District		Percentage
	2009	2008	Change
			2008-2009
	\$	\$	
General Obligation Bonds	-0-	355,000	(100.00)%
Local Option Sales and Services	3,335,000	3,935,000	(15.25)%
Tax Revenue Bonds			
Early Retirement	125,906	51,844	142.86%
Total	3,460,906	4,341,844	(20.29)%

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 ninth year in a row in October 2009 this year the decline was 1.0 students with the enrollment going from 992.5 in 2008-2009 to 991.5. School financing is highly dependent upon student enrollment. This drop in enrollment will decrease the District's funding for fiscal year 2011. 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 148.3 students which has directly resulted in a funding loss of approximately \$815,650. 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 2.99% or \$158,232 for fiscal year 2010. 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, 2009

	Governmental Activities	Business Type Activities	Total	Component Unit Roland- Story Community School District Foundation
	\$	\$	\$	\$
Assets				
Cash and investments:				
ISCAP	893,577	8,795	902,372	-
Other	2,533,727	-	2,533,727	783,056
Receivables:				
Property tax:				
Delinquent	42,866	-	42,866	-
Succeeding year	3,327,036	-	3,327,036	-
Accounts	21,318	1,017	22,335	-
Accrued interest - ISCAP	110	-	110	-
Due from other governments	604,458	-	604,458	-
Inventories	-	4,207	4,207	-
Deposit on real estate	1,000	-	1,000	-
Bond issue costs	35,325	-	35,325	-
Capital assets, net of accumulated depreciation	11,856,470	9,881	11,866,351	-
Total assets	19,315,887	23,900	19,339,787	783,056
Liabilities				
Accounts payable	153,175	8	153,183	-
Salaries and benefits payable	23,201	714	23,915	-
Accrued interest payable	59,748	-	59,748	-
Deferred revenue:				
Succeeding year property tax	3,327,036	-	3,327,036	-
Other	-	8,289	8,289	-
ISCAP warrants payable	877,000	-	877,000	-
ISCAP accrued interest payable	300	-	300	-
ISCAP premium	16,977	-	16,977	-
Long-term liabilities:				
Portion due within one year:				
Bond premium	4,063	-	4,063	-
Revenue bonds payable	620,000	-	620,000	-
Termination benefits	125,906	-	125,906	-
Portion due after one year:				
Bond premium	17,098	-	17,098	-
Revenue bonds payable	2,715,000	-	2,715,000	-
Total liabilities	7,939,504	9,011	7,948,515	-

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total	Component Unit Roland- Story Community School District Foundation
	\$	\$	\$	\$
Net assets				
Invested in capital assets, net of related debt	8,521,470	9,881	8,531,351	-
Restricted for:				
Scholarships and projects by donors	-	-	-	783,056
Categorical funding	65,729	-	65,729	-
Management levy	161,785	-	161,785	-
Physical plant and equipment levy	450,776	-	450,776	-
Other special revenue purposes	207,651	-	207,651	-
Sales tax capital projects	262,181	-	262,181	-
Debt service	1,301,522	-	1,301,522	-
Unrestricted	405,269	5,008	410,277	-
Total net assets	<u>11,376,383</u>	<u>14,889</u>	<u>11,391,272</u>	<u>783,056</u>

ROLAND-STORY COMMUNITY SCHOOLDISTRICT

Statement of Activities

Year ended June 30, 2009

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	4,573,344	513,121	731,283	-
Special	1,167,425	114,192	162,572	-
Other	1,067,175	338,398	91,242	-
	<u>6,807,944</u>	<u>965,711</u>	<u>985,097</u>	<u>-</u>
Support services:				
Student	267,237	-	-	-
Instructional staff	349,856	-	-	-
Administration	860,260	-	-	-
Operation and maintenance of plant	664,044	27,684	-	-
Transportation	250,554	6,900	-	-
	<u>2,391,951</u>	<u>34,584</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>38</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	20,666	-	-	32,851
Long-term debt interest	133,638	-	1,267	-
AEA flowthrough	328,715	-	328,715	-
Depreciation (unallocated)*	325,330	-	-	-
	<u>808,349</u>	<u>-</u>	<u>329,982</u>	<u>32,851</u>
Total governmental activities	10,008,282	1,000,295	1,315,079	32,851
Business type activities:				
Non-instructional programs:				
Food service operations	444,902	314,770	126,625	-
Total primary government	10,453,184	1,315,065	1,441,704	32,851
Component Unit:				
Roland Story Comm. School District Foundation	41,748	-	42,690	-
Total	10,494,932	1,315,065	1,484,394	32,851
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
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 expense of the various programs.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(3,328,940)	-	(3,328,940)	-
(890,661)	-	(890,661)	-
(637,535)	-	(637,535)	-
<u>(4,857,136)</u>	<u>-</u>	<u>(4,857,136)</u>	<u>-</u>
(267,237)	-	(267,237)	-
(349,856)	-	(349,856)	-
(860,260)	-	(860,260)	-
(636,360)	-	(636,360)	-
(243,654)	-	(243,654)	-
<u>(2,357,367)</u>	<u>-</u>	<u>(2,357,367)</u>	<u>-</u>
(38)	-	(38)	-
12,185	-	12,185	-
(132,371)	-	(132,371)	-
-	-	-	-
(325,330)	-	(325,330)	-
<u>(445,516)</u>	<u>-</u>	<u>(445,516)</u>	<u>-</u>
(7,660,057)	-	(7,660,057)	-
-	(3,507)	(3,507)	-
(7,660,057)	(3,507)	(7,663,564)	-
-	-	-	942
<u>(7,660,057)</u>	<u>(3,507)</u>	<u>(7,663,564)</u>	<u>942</u>
2,625,618	-	2,625,618	-
221,364	-	221,364	-
311,367	-	311,367	-
304,010	-	304,010	-
993,776	-	993,776	-
3,876,650	-	3,876,650	-
38,667	298	38,965	-
15,830	-	15,830	-
<u>8,387,282</u>	<u>298</u>	<u>8,387,580</u>	<u>-</u>
727,225	(3,209)	724,016	942
<u>10,649,158</u>	<u>18,098</u>	<u>10,667,256</u>	<u>782,114</u>
<u>11,376,383</u>	<u>14,889</u>	<u>11,391,272</u>	<u>783,056</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Capital Projects - Sales Tax	Debt Service	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$	\$
Assets						
Cash and pooled investments:						
ISCAP	893,577	-	-	-	-	893,577
Other	182,119	1,289,266	188,502	365,742	508,098	2,533,727
Receivables:						
Property tax:						
Delinquent	33,333	-	2,969	4,174	2,390	42,866
Succeeding year	2,925,273	-	-	301,763	100,000	3,327,036
Accounts	19,420	-	-	-	1,898	21,318
Accrued interest - ISCAP	110	-	-	-	-	110
Due from other governments	365,401	144,564	-	94,493	-	604,458
Deposit on real estate	-	-	-	1,000	-	1,000
Total assets	4,419,233	1,433,830	191,471	767,172	612,386	7,424,092
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	120,091	1,850	-	14,633	16,601	153,175
Salaries and benefits payable	22,758	-	-	-	443	23,201
ISCAP warrants payable	877,000	-	-	-	-	877,000
ISCAP accrued interest payable	300	-	-	-	-	300
ISCAP premium	16,977	-	-	-	-	16,977
Deferred revenue:						
Succeeding year property tax	2,925,273	-	-	301,763	100,000	3,327,036
Other	209,973	-	-	94,493	-	304,466
Total liabilities	<u>4,172,372</u>	<u>1,850</u>	<u>-</u>	<u>410,889</u>	<u>117,044</u>	<u>4,702,155</u>
Fund balances:						
Reserved for:						
Categorical funding	65,729	-	-	-	-	65,729
Debt service	-	1,169,799	191,471	-	-	1,361,270
General fund	181,132	-	-	-	-	181,132
Special revenue funds	-	-	-	356,283	495,342	851,625
Capital projects funds	-	262,181	-	-	-	262,181
Total fund balances	<u>246,861</u>	<u>1,431,980</u>	<u>191,471</u>	<u>356,283</u>	<u>495,342</u>	<u>2,721,937</u>
Total liabilities and fund balances	4,419,233	1,433,830	191,471	767,172	612,386	7,424,092

ROLAND-STORY 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)	2,721,937
<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.	11,856,470
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	304,466
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.	(59,748)
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds.	35,325
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>(3,482,067)</u>
Net assets of governmental activities (Exhibit A)	<u><u>11,376,383</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Capital Projects - Sales Tax	Debt Service	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	2,654,080	993,776	221,364	411,690	175,225	4,456,135
Tuition	515,731	-	-	-	-	515,731
Other	152,861	27,222	1,267	35,445	353,710	570,505
State sources	4,844,448	-	142	200	114	4,844,904
Federal sources	343,864	-	-	-	-	343,864
Total revenues	<u>8,510,984</u>	<u>1,020,998</u>	<u>222,773</u>	<u>447,335</u>	<u>529,049</u>	<u>10,731,139</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,421,592	-	-	15,886	60,834	4,498,312
Special	1,167,425	-	-	-	-	1,167,425
Other	720,275	-	-	-	338,514	1,058,789
	<u>6,309,292</u>	<u>-</u>	<u>-</u>	<u>15,886</u>	<u>399,348</u>	<u>6,724,526</u>
Support services:						
Student	267,237	-	-	-	-	267,237
Instructional staff	349,634	-	-	222	-	349,856
Administration	839,329	1,850	-	5,791	-	846,970
Operation and maintenance of plant	559,719	-	-	-	99,413	659,132
Transportation	210,203	-	-	71,962	8,439	290,604
	<u>2,226,122</u>	<u>1,850</u>	<u>-</u>	<u>77,975</u>	<u>107,852</u>	<u>2,413,799</u>
Non-instructional programs	-	-	-	-	38	38
Other expenditures:						
Facilities acquisition	-	110,258	-	160,677	-	270,935
Long-term debt:						
Principal	-	-	955,000	-	-	955,000
Interest and fiscal charges	-	-	149,037	-	-	149,037
AEA flowthrough	328,715	-	-	-	-	328,715
	<u>328,715</u>	<u>110,258</u>	<u>1,104,037</u>	<u>160,677</u>	<u>-</u>	<u>1,703,687</u>
Total expenditures	<u>8,864,129</u>	<u>112,108</u>	<u>1,104,037</u>	<u>254,538</u>	<u>507,238</u>	<u>10,842,050</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(353,145)</u>	<u>908,890</u>	<u>(881,264)</u>	<u>192,797</u>	<u>21,811</u>	<u>(110,911)</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Capital Projects - Sales Tax	Debt Service	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$	\$
Other financing sources (uses):						
Sales of materials and equipment	2,675	-	-	-	-	2,675
Operating transfers in	-	-	882,485	-	-	882,485
Operating transfers out	-	(882,485)	-	-	-	(882,485)
Total other financing sources (uses)	<u>2,675</u>	<u>(882,485)</u>	<u>882,485</u>	<u>-</u>	<u>-</u>	<u>2,675</u>
Net change in fund balances	(350,470)	26,405	1,221	192,797	21,811	(108,236)
Fund balances beginning of year	<u>597,331</u>	<u>1,405,575</u>	<u>190,250</u>	<u>163,486</u>	<u>473,531</u>	<u>2,830,173</u>
Fund balances end of year	<u><u>246,861</u></u>	<u><u>1,431,980</u></u>	<u><u>191,471</u></u>	<u><u>356,283</u></u>	<u><u>495,342</u></u>	<u><u>2,721,937</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(108,236)
<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	322,231	
Depreciation expense	<u>(377,585)</u>	(55,354)
Income surtaxes and other grants 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.		1,693
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.		955,000
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.		11,336
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		(74,062)
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>727,225</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	8,795
Accounts receivable	1,017
Inventories	4,207
Capital assets, net of accumulated depreciation	<u>9,881</u>
Total assets	<u>23,900</u>
Liabilities	
Accounts payable	8
Salaries and benefits payable	714
Deferred revenue	<u>8,289</u>
Total liabilities	<u>9,011</u>
Net assets	
Invested in capital assets	9,881
Unrestricted	<u>5,008</u>
Total net assets	<u><u>14,889</u></u>

ROLAND-STORY 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>314,770</u>
Operating expenses:	
Non-instructional programs:	
Salaries	159,478
Benefits	20,213
Purchased services	7,314
Supplies	255,874
Depreciation	<u>2,023</u>
Total operating expenses	<u>444,902</u>
Operating gain (loss)	<u>(130,132)</u>
Non-operating revenues:	
State sources	5,284
Federal sources	121,341
Interest income	<u>298</u>
Total non-operating revenues	<u>126,923</u>
Net income (loss)	(3,209)
Net assets beginning of year	<u>18,098</u>
Net assets end of year	<u><u>14,889</u></u>

ROLAND-STORY 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	314,140
Cash payments to employees for services	(179,615)
Cash payments to suppliers for goods or services	(245,238)
Net cash used by operating activities	<u>(110,713)</u>
Cash flows from non-capital financing activities:	
State grants received	5,284
Federal grants received	102,814
Net cash provided by non-capital financing activities	<u>108,098</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>298</u>
Net increase (decrease) in cash and cash equivalents	(2,317)
Cash and cash equivalents at beginning of year	<u>11,112</u>
Cash and cash equivalents at end of year	<u><u>8,795</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(130,132)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	18,527
Depreciation	2,023
Decrease (increase) in inventories	(549)
Decrease (increase) in accounts receivable	(981)
(Decrease) increase in accounts payable	(28)
(Decrease) increase in salaries and benefits payable	76
(Decrease) increase in deferred revenue	351
Net cash used by operating activities	<u><u>(110,713)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$18,527 of federal commodities.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

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

The Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

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, 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 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, 2009, expenditures exceeded the amount budgeted in the support services function.

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 the following investments:

	Amortized Cost
	\$
Iowa Schools Joint Investment Trust	<u>5,916</u>

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

	Fair Value
	\$
Goldman Sachs Financial Square Treasury Obligations Fund	<u>1,169,800</u>

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, 2009 is as follows:

Transfer To	Transfer From	Amount
		\$
Debt Service Fund	Capital Projects Fund	882,485

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, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2008-09A	06/26/08	06/25/09	2,691	-	-	-
2009-10A	06/25/09	06/23/10	890,886	110	877,000	300
Total			<u>893,577</u>	<u>110</u>	<u>877,000</u>	<u>300</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
\$	\$	\$	\$
-	400,000	400,000	-

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
	%	%
2008-09A	3.500	3.469
2009-10A	2.500	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	243,212	25,000	-	268,212
Capital assets being depreciated:				
Buildings	14,302,540	123,079	-	14,425,619
Improvements other than buildings	316,149	57,593	-	373,742
Furniture and equipment	872,492	116,559	30,654	958,397
Total capital assets being deprec.	15,491,181	297,231	30,654	15,757,758
Less accumulated depreciation for:				
Buildings	2,912,456	305,180	-	3,217,636
Improvements other than buildings	156,643	20,150	-	176,793
Furniture and equipment	753,470	52,255	30,654	775,071
Total accumulated depreciation	3,822,569	377,585	30,654	4,169,500
Total capital assets being depreciated, net	11,668,612	(80,354)	-	11,588,258
Governmental activities capital assets, net	11,911,824	(55,354)	-	11,856,470
Business type activities:				
Furniture and equipment	69,402	-	-	69,402
Less accumulated depreciation	57,498	2,023	-	59,521
Business type activities capital assets, net	11,904	(2,023)	-	9,881

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	970
Other	8,386
Support services:	
Administration	6,075
Operation and maintenance of plant	4,912
Transportation	<u>31,912</u>
	52,255
Unallocated depreciation	<u>325,330</u>
Total depreciation expense – governmental activities	<u>377,585</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, 2009, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	355,000	-	355,000	-	-
Sales tax revenue bonds	3,935,000	-	600,000	3,335,000	620,000
Termination benefits	<u>51,844</u>	<u>125,906</u>	<u>51,844</u>	<u>125,906</u>	<u>125,906</u>
Total	<u>4,341,844</u>	<u>125,906</u>	<u>1,006,844</u>	<u>3,460,906</u>	<u>745,906</u>

Termination Benefits

The District offered a voluntary early retirement plan to its employees during 2008 and 2009. 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, 2009, the District has an obligation to five participants for early retirement benefits. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$51,844.

Revenue Bonds Payable

Details of the District's June 30, 2009 local option sales and services tax revenue bonded indebtedness are as follows:

Bond Issue of September 2004				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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>2,690,000</u>	<u>245,636</u>	<u>2,935,636</u>

Bond Issue of June 2007				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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>645,000</u>	<u>64,010</u>	<u>709,010</u>

The District has pledged future local option (statewide) 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 (statewide) 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 75 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the notes are \$2,935,636 and \$709,010 respectively. For the current year \$571,760 in principal and interest was paid on the September 2004 bonds, and \$157,725 in principal and interest was paid on the June 2007 bonds. The total current year statewide sales and services tax revenues were \$993,776.

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 (statewide) 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 statewide 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 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$371,702, \$333,652 and \$301,039 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 \$328,715 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. Commitments

The District has entered into a \$169,890 contract for athletic field lighting and a \$130,000 contract for the purchase of real estate. Work on the project had not started at June 30, 2009.

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, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	5,542,371	315,068	5,857,439	5,744,779	5,744,779	112,660
State sources	4,844,904	5,284	4,850,188	4,959,723	4,959,723	(109,535)
Federal sources	343,864	121,341	465,205	265,000	265,000	200,205
Total revenues	<u>10,731,139</u>	<u>441,693</u>	<u>11,172,832</u>	<u>10,969,502</u>	<u>10,969,502</u>	<u>203,330</u>
Expenditures/Expenses:						
Instruction	6,724,526	-	6,724,526	6,837,413	6,837,413	112,887
Support services	2,413,799	-	2,413,799	2,410,144	2,410,144	(3,655)
Non-instructional programs	38	444,902	444,940	459,000	459,000	14,060
Other expenditures	1,703,687	-	1,703,687	2,039,452	2,039,452	335,765
Total expenditures/expenses	<u>10,842,050</u>	<u>444,902</u>	<u>11,286,952</u>	<u>11,746,009</u>	<u>11,746,009</u>	<u>459,057</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(110,911)	(3,209)	(114,120)	(776,507)	(776,507)	662,387
Other financing sources (uses) net	<u>2,675</u>	<u>-</u>	<u>2,675</u>	<u>-</u>	<u>-</u>	<u>2,675</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	(108,236)	(3,209)	(111,445)	(776,507)	(776,507)	665,062
Balance beginning of year	<u>2,830,173</u>	<u>18,098</u>	<u>2,848,271</u>	<u>2,185,889</u>	<u>2,185,889</u>	<u>662,382</u>
Balance end of year	<u><u>2,721,937</u></u>	<u><u>14,889</u></u>	<u><u>2,736,826</u></u>	<u><u>1,409,382</u></u>	<u><u>1,409,382</u></u>	<u><u>1,327,444</u></u>

ROLAND-STORY 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. The District did not amend its budget during the year.

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

OTHER SUPPLEMENTARY INFORMATION

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

Assets	<u>Special Revenue Funds</u>		
	Management Levy	Student Activity Fund	Total
	\$	\$	\$
Cash and pooled investments	288,727	219,371	508,098
Receivables:			
Property tax:			
Delinquent	2,390	-	2,390
Succeeding year	100,000	-	100,000
Accounts	-	1,898	1,898
	<u>391,117</u>	<u>221,269</u>	<u>612,386</u>
Total assets			
	<u>391,117</u>	<u>221,269</u>	<u>612,386</u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	3,426	13,175	16,601
Salaries and benefits payable	-	443	443
Deferred revenue:			
Succeeding year property tax	100,000	-	100,000
Total liabilities	<u>103,426</u>	<u>13,618</u>	<u>117,044</u>
Fund balances:			
Unreserved reported in:			
Special revenue funds	<u>287,691</u>	<u>207,651</u>	<u>495,342</u>
	<u>391,117</u>	<u>221,269</u>	<u>612,386</u>
Total liabilities and fund balances			
	<u>391,117</u>	<u>221,269</u>	<u>612,386</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	<u>Special Revenue Funds</u>		
	Management	Student	Total
	Levy	Activity Fund	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	175,225	-	175,225
Other	14,009	339,701	353,710
State sources	114	-	114
Total revenues	<u>189,348</u>	<u>339,701</u>	<u>529,049</u>
Expenditures:			
Current:			
Instruction:			
Regular	60,834	-	60,834
Other	-	338,514	338,514
Support services:			
Operation and maintenance of plant	99,413	-	99,413
Transportation	8,439	-	8,439
Non-instructional programs	38	-	38
Total expenditures	<u>168,724</u>	<u>338,514</u>	<u>507,238</u>
Net change in fund balance	20,624	1,187	21,811
Fund balances beginning of year	<u>267,067</u>	<u>206,464</u>	<u>473,531</u>
Fund balances end of year	<u><u>287,691</u></u>	<u><u>207,651</u></u>	<u><u>495,342</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
General athletics	3,805	11,017	8,972	5,850
Interest	6,113	1,303		7,416
Gifts/RIF	9,145	1,625	7,185	3,585
<u>ELEMENTARY</u>				
Student council	4,749	3,105	6,382	1,472
OCA	1,576	363	208	1,731
Helping hands	362	-	-	362
Pencil project	316	40	100	256
S.N. penny drive	907	-	-	907
<u>MIDDLE SCHOOL</u>				
Vocal music	780	1,139	558	1,361
Instrumental music	2,983	1,878	1,962	2,899
Student council	5,309	7,256	8,370	4,195
<u>HIGH SCHOOL</u>				
Speech/drama/musical	13,943	7,946	5,795	16,094
Vocal music	16,004	3,367	1,810	17,561
Instrumental music	5,550	4,725	3,952	6,323
Music uniforms	2,790	2,072	2,603	2,259
Cross country	165	2,165	2,330	-
Boys basketball	5,580	13,800	13,232	6,148
Boys football	18,192	66,896	58,055	27,033
Boys baseball	-	12,849	13,627	(778)
Boys track	5,391	6,391	5,446	6,336
Boys golf	-	714	714	-
Wrestling	8,283	7,527	9,525	6,285
Girls basketball	4,756	28,191	26,143	6,804
Girls volleyball	-	10,246	10,470	(224)
Girls softball	-	8,966	9,599	(633)
Girls track	-	3,782	4,705	(923)
Girls golf	332	890	1,667	(445)
Yearbook	1,987	1,964	1,523	2,428
FFA	10,582	32,417	32,378	10,621
FCCLA	1,337	4,163	3,542	1,958
Student council	4,529	3,228	3,347	4,410
Honor Society	-	3,386	3,320	66
HOSA	3,183	10,724	12,375	1,532
Cheerleaders	420	3,303	4,405	(682)

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Key club	2,172	3,072	3,046	2,198
Norse news	1,479	-	1,479	-
Student awards	18,426	2,691	2,672	18,445
Pop fund	2,072	241	318	1,995
Academic letters	-	1,000	1,000	-
Concessions	36,985	50,335	49,233	38,087
Class of 2009	6,210	48	4,845	1,413
Class of 2008	51	-	51	-
Class of 2010	-	14,876	11,570	3,306
	<u>206,464</u>	<u>339,701</u>	<u>338,514</u>	<u>207,651</u>
Total	<u>206,464</u>	<u>339,701</u>	<u>338,514</u>	<u>207,651</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	4,456,135	4,602,704	4,340,770	4,036,115	3,798,784	3,530,182
Tuition	515,731	527,063	463,916	364,822	383,429	399,886
Other	570,505	583,488	725,855	530,474	464,237	388,606
Intermediate sources	-	-	11,095	-	-	-
State sources	4,844,904	4,808,240	4,741,516	4,454,045	4,401,245	4,258,205
Federal sources	343,864	151,481	130,983	131,095	133,265	129,707
Total revenues	<u>10,731,139</u>	<u>10,672,976</u>	<u>10,414,135</u>	<u>9,516,551</u>	<u>9,180,960</u>	<u>8,706,586</u>
Expenditures:						
Instruction:						
Regular	4,498,312	4,245,924	3,986,764	3,802,510	3,813,244	3,899,273
Special	1,167,425	951,140	945,853	980,878	833,874	982,501
Other	1,058,789	1,126,408	1,104,630	940,131	953,220	740,476
Support services:						
Student	267,237	144,323	164,147	156,012	162,878	191,352
Instructional staff	349,856	310,104	280,103	309,591	311,363	189,071
Administration	846,970	821,056	777,993	737,648	773,446	684,819
Operation and maintenance	659,132	680,945	649,469	617,655	588,619	523,648
Transportation	290,604	254,917	210,919	229,121	240,359	229,487
Non-instructional programs	38	2,757	2,051	235	-	6,583
Other expenditures:						
Facilities acquisition	270,935	1,398,369	848,843	3,162,653	729,417	456,497
Long-term debt:						
Principal	955,000	945,000	975,000	660,000	685,000	741,857
Interest and other charges	149,037	174,721	194,485	226,284	162,114	146,334
AEA flowthrough	328,715	316,694	306,665	288,699	283,677	287,754
Total expenditures	<u>10,842,050</u>	<u>11,372,358</u>	<u>10,446,922</u>	<u>12,111,417</u>	<u>9,537,211</u>	<u>9,079,652</u>

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

To the Board of Education of
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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 30, 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 09-I-A and 09-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, 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.

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

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

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

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

November 30, 2009

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended 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, 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.

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.

09-I-C Gate Receipts: We noted that the District was using the bank's night depository for the cash proceeds from athletic events. We also noted that District personnel did not count the cash prior to placing in the night depository.

Recommendation: Immediately after each event, two people should jointly count cash and prepare and sign a summary of the dollar amount counted. This summary should then be compared to the actual amount deposited.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements (continued):

District Response: We will start having two people count all cash from such activities.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended 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 support services function.

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

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

Conclusion: Response accepted.

09-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.

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: No business transactions between the District and District officials or employees were noted.

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: No transactions requiring Board approval which had not been approved by the Board were noted.

09-II-G Certified Enrollment: The number of students used in the calculation of supplemental weighting on line 12 of the October 2008 certified enrollment form 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.

09-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.

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

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

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, 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 as incurred.

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:

	\$	\$
Beginning balance		-
Statewide sales and services tax revenue		993,776
Expenditures/transfers out:		
School infrastructure:		
Land and land improvements	25,000	
Buildings and building improvements	86,291	
Debt service for school infrastructure:		
General obligation debt	153,000	
Revenue debt	729,485	993,776
		<hr/>
Ending balance		<hr/> <hr/> -