

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rockwell-Swaledale Community School District, Rockwell, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rockwell-Swaledale Community School District at June 30, 2011, 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.

As explained in Note 12 to the Financial Statements, Rockwell-Swaledale Community School District and Sheffield Chapin/Meservey Thornton Community School District merged on July 1, 2011. The merged district is named West Fork Community School District.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2012, on our consideration of Rockwell-Swaledale Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rockwell-Swaledale Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

March 26, 2012

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT
210 South 2nd Street
Rockwell, IA 50469

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Rockwell-Swaledale Community School District provides this discussion and analysis of the District's financial performance and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,925,059 in fiscal year 2010 to \$4,315,281 in fiscal year 2011. General Fund expenditures also increased from \$4,031,844 in fiscal 2010 to \$4,041,260 in fiscal 2011. This resulted in an increase of \$274,021 in the General Fund balance from \$298,731 in fiscal 2010 to \$572,752 in fiscal 2011.
- The increase in General Fund revenues was attributable to a decrease in open enrolled out students, increases in local tax revenues and sharing money.
- The District's major remodeling projects have been completed but we continue to use the money generated from the Statewide Sales Tax and the voted PPEL to make improvements to the buildings and purchase vehicles. During the 2010-2011 school year the projects included gym bleacher upgrades, sidewalk/grounds updates, and some technology upgrades.

USING THIS ANNUAL REPORT

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

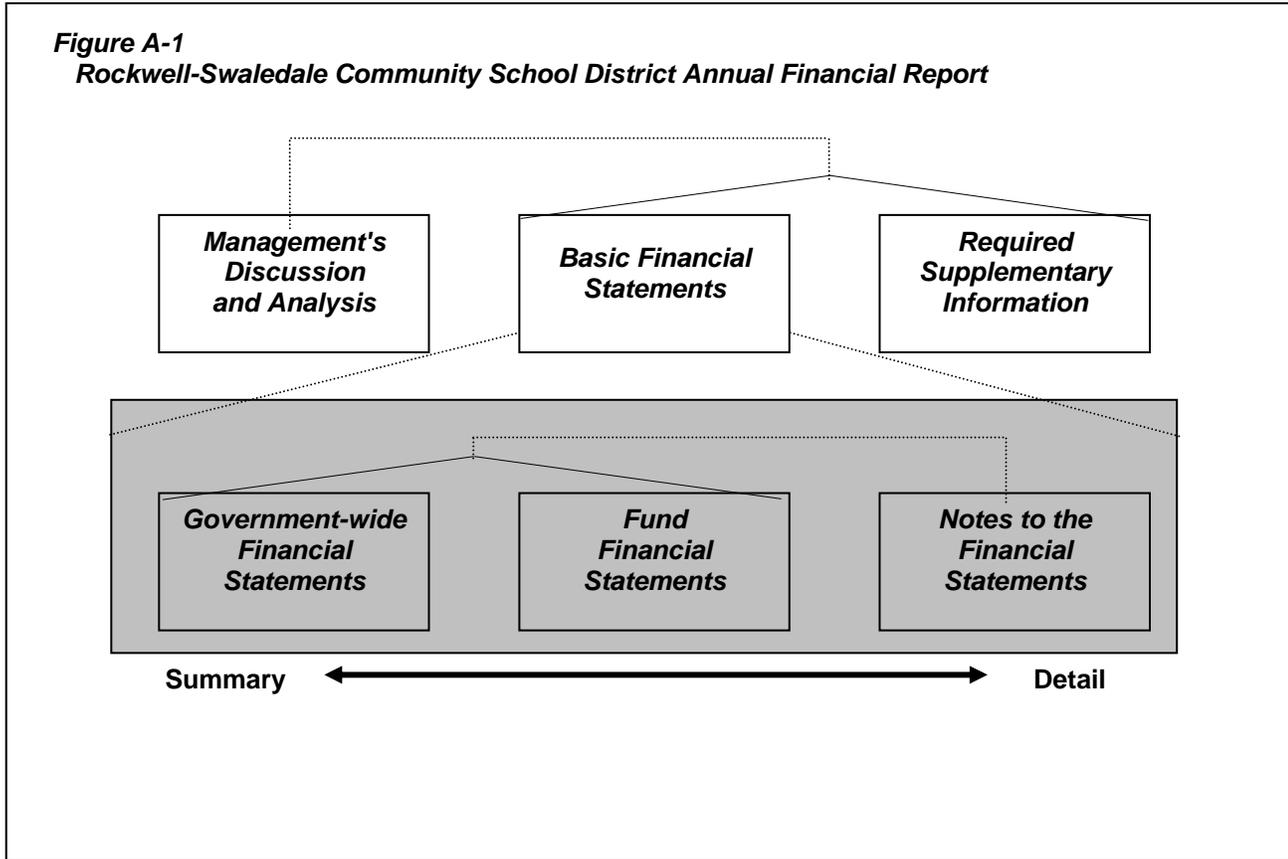


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The School District has three kinds of funds:

- 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 School District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explain the relationship or differences between the two statements.

The School District's governmental funds include the General Fund, Management Fund, Student Activity Fund, Physical Plant and Equipment Levy, Debt Service Fund and Capital Projects Fund.

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

- 2) *Proprietary funds:* Services for which the School District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The School District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The School District currently has one enterprise fund, the School Nutrition Fund.
- 3) *Fiduciary Funds:* The School District is the trustee, or fiduciary, for assets that belong to others. These funds include scholarship funds.

- Scholarship Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

Figure A-3 below provides a summary of the District’s net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2010-2011
	Governmental Activities		Business-type Activities		Total School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	1,602,480	2,984,142	15,710	9,308	1,618,190	2,993,450	-46%
Capital assets	3,487,861	3,507,425	7,517	8,835	3,495,378	3,516,260	-1%
Total assets	5,090,341	6,491,567	23,227	18,143	5,113,568	6,509,710	-21%
Long-term liabilities	1,299,694	1,173,664	757	372	1,300,451	1,174,036	-11%
Other liabilities	67,216	1,724,182	2,995	3,224	70,211	1,727,406	-96%
Total liabilities	1,366,910	2,897,846	3,752	3,596	1,370,662	2,901,442	-53%
Net Assets:							
Invested in capital assets, net of related debt	2,692,861	2,467,425	7,517	8,835	2,700,378	2,476,260	9%
Restricted	825,214	899,381	-	-	825,214	899,381	-8%
Unrestricted	205,356	226,915	11,958	5,712	217,314	232,627	-7%
TOTAL NET ASSETS	3,723,431	3,593,721	19,475	14,547	3,742,906	3,608,268	4%

The District’s combined net assets increased by nearly 4%, or approximately \$134,638, over the prior year. The largest portion of the District’s net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets decreased approximately \$74,167 over the prior year. The decrease was primarily a result of increased revenue in the PPEL and Capital Project’s fund balances and lower expenditures due to completion of major construction projects in previous years.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$15,313. The decrease is due to increased general maintenance costs.

Figure A-4 shows the change in net assets for the years ended June 30, 2011 and 2010.

Figure A-4

	Change in Net Assets						Percentage Change 2010-2011
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services and sales	991,484	983,021	106,485	115,693	1,097,969	1,098,714	<-1%
Operating grants & contributions	652,041	655,431	94,525	80,946	746,566	736,377	1%
Capital gains & contributions	-	-	-	-	-	-	
General Revenues:							
Property taxes	1,646,511	1,592,729	-	-	1,646,511	1,592,729	3%
Income Surtax	138,462	131,535	-	-	138,462	131,535	5%
Statewide sales, services & use tax	388,019	351,700	-	-	388,019	351,700	10%
Unrestricted state grants	1,171,050	853,288	-	-	1,171,050	853,288	37%
Unrestricted investment earnings	18,876	19,994	11	7	18,887	20,001	-6%
Other revenue	3,000	3,126	-	5,508	3,000	8,634	-65%
Total Revenues	5,009,443	4,590,824	201,021	202,154	5,210,464	4,792,978	9%
Program Expenses:							
Instruction	3,373,936	2,996,154	-	-	3,373,936	2,996,154	13%
Support services	1,129,868	1,094,355	-	-	1,129,868	1,094,355	3%
Non-instructional programs	1,199	3,562	196,093	182,904	197,292	186,466	6%
Other expenditures	374,730	307,018	-	-	374,730	307,018	22%
Total expenses	4,879,733	4,401,089	196,093	182,904	5,075,826	4,583,993	11%
CHANGE IN NET ASSETS	129,710	189,735	4,928	19,250	134,638	208,985	-36%
Net assets beginning of year	3,593,721	3,403,986	14,547	(4,703)	3,608,268	3,399,283	6%
Net assets end of year	3,723,431	3,593,721	19,475	14,547	3,742,906	3,608,268	4%

Property tax and unrestricted state grants account for 54% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,009,443 and expenses were \$4,833,636.

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

	Total Cost of Services		Net Cost of Services		Change 2010-2011
	2011	2010	2011	2010	
	\$	\$	\$	\$	
Instruction	3,373,936	2,996,154	1,912,644	1,532,244	25%
Support Services	1,129,868	1,094,355	1,096,246	1,063,650	3%
Non-instructional Programs	1,199	3,562	1,199	3,562	-66%
Other Expenses	374,730	307,018	226,119	163,181	39%
TOTAL	4,879,733	4,401,089	3,236,208	2,762,637	17%

- The cost financed by users of the District's programs was \$991,484.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$652,041.
- The net cost of governmental activities was financed with \$1,646,511 in property taxes, \$388,019 in statewide sales & services tax, \$138,462 in income surtax and \$1,171,050 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$201,021 and expenses were \$196,093. The District's business type activities include the School Nutrition Fund. Revenues are comprised of charges for meals and federal and state reimbursements.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,171,668 compared to last year's ending fund balances of \$1,207,967.

Governmental Fund Highlights

- The School District's decreasing General Fund financial position is the result of declining enrollment and no new money. Despite efforts to maintain costs, insurance rates, salaries and benefits, and maintenance costs continue to rise with little or no new money to cover the costs.
- The district will consolidate with Sheffied-Chapin Meservey-Thornton school district starting with the 2011-2012 school year.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.
 - The Physical Plant and Equipment Levy account balance increased from \$148,989 to \$150,001.
 - The Statewide Sales Tax account balance decreased from \$679,807 at June 30, 2010 to \$624,484 at June 30, 2011.

- The Management Fund balance increased from \$34,697 to \$80,724. The increase reflects budgeting to adjust for several teachers and staff to take early retirement payments.

Business-Type Fund Highlights

The School Nutrition Fund balance increased from \$14,547 to \$19,475. This increase resulted from increased sales due to additional middle school and elementary students eating lunch and breakfast and more efficient use of personnel and food supplies. The program will continue with the practices put into place over the last two years to maintain their positive balance.

BUDGETARY HIGHLIGHTS

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

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

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

Legal Budgetary Highlights

The School District's total actual receipts were \$101,691 more than the total budgeted receipts. This was mostly due to the nature of budgeting and having to estimate revenue in many areas such as sharing costs and open enrollment.

Total expenditures were \$632,824 less than budgeted. It is the School District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The School District then manages, or controls General Fund spending through its line-item budget. As a result, the School District's certified budget should always exceed the actual expenditures during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011 the School district had invested \$3,495,378, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6). Depreciation expense was \$165,630 for Governmental Activities and \$1,476 for Business-type Activities, which is the School Nutrition Fund.

Bonds were sold to fund major construction projects and they are being repaid over ten years. A new entrance was added to the west side of the building, a new industrial technology building was built just north of the

school, the old industrial arts area was torn down and new science rooms were built and the instrumental music and art rooms were remodeled, the north end of the high school was completely renovated and the elementary classrooms and bathrooms were renovated. There is enough money collected annually to fund other projects, which are mostly minor maintenance issues. In September of 2007 the voters approved expanding the use of LOST money to be able to buy buses and computers.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
	\$	\$	\$	\$	\$	\$	
Land	86,900	86,900	-	-	86,900	86,900	-
Construction in progress	-	-	-	-	-	-	-
Buildings	3,168,760	3,119,468	-	-	3,168,760	3,119,468	2%
Improvements	21,393	24,053	-	-	21,393	24,053	-11%
Equipment & Furniture	210,808	277,004	7,517	8,834	218,325	285,838	-24%
TOTAL	3,487,861	3,507,425	7,517	8,834	3,495,378	3,516,259	-1%

Long-Term Debt

During fiscal year 2011 the District incurred additional early retirement debt of \$186,766, this is in addition to the 2009 early retirement debt of \$168,887. The debt from 2009 will be paid off in fiscal year 2014 and the debt from 2011 will be paid off in 2016. In 2004 the district also incurred \$1.95 million dollars in debt for the sale of local option sales tax bonds to finance the building of the vocational technology building, the high school addition and renovation and the elementary renovation. This debt will be repaid with local option sales tax proceeds and will be paid off in fiscal year 2014. As of June 30, the outstanding local option sales tax debt is \$795,000.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2010	2011	2010-2011
	\$	\$	
Governmental activities:			
Sales tax revenue bonds	1,040,000	795,000	-24%
Compensated absences	4,444	-	-100%
Termination benefits	113,603	472,919	316%
Net OPEB liability	15,617	31,775	103%
TOTAL	1,173,664	1,299,694	11%
Business type activities:			
Net OPEB liability	372	757	103%

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

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

The School District has experienced declining enrollment for the past several years. Enrollment will be decreasing by 20 students in fiscal year 2012.

The District will be reorganizing with a neighboring school district beginning July 1, 2011.

The reorganization will result in the elimination of a superintendent effective July 1, 2011 and a business manager effective July 1, 2011.

The District is looking for more staff retirements in the next couple of years.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
		\$	\$
Assets			
Cash and cash equivalents:			
Other	897,815	9,299	907,114
Cash with fiscal agent	464,524	-	464,524
Receivables:			
Property tax:			
Delinquent	34,516	-	34,516
Accounts	18	1,358	1,376
Due from other governments	205,607	-	205,607
Inventories	-	5,053	5,053
Capital assets, net of accumulated depreciation	3,487,861	7,517	3,495,378
Total assets	<u>5,090,341</u>	<u>23,227</u>	<u>5,113,568</u>
Liabilities			
Accounts payable	52,827	-	52,827
Accrued interest payable	14,389	-	14,389
Deferred revenue:			
Other	-	2,995	2,995
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	255,000	-	255,000
Termination benefits	222,266	-	222,266
Portion due after one year:			
Revenue bonds payable	540,000	-	540,000
Termination benefits	250,653	-	250,653
Net OPEB liability	31,775	757	32,532
Total liabilities	<u>1,366,910</u>	<u>3,752</u>	<u>1,370,662</u>
Net assets			
Invested in capital assets, net of related debt	2,692,861	7,517	2,700,378
Restricted for:			
Categorical funding	63,805	-	63,805
Physical plant and equipment levy	150,001	-	150,001
Student activities	1,313	-	1,313
Debt service	450,135	-	450,135
School Infrastructure	159,960	-	159,960
Unrestricted	205,356	11,958	217,314
Total net assets	<u><u>3,723,431</u></u>	<u><u>19,475</u></u>	<u><u>3,742,906</u></u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,440,115	938,167	427,475	-
Special	622,510	-	36,965	-
Other	311,311	24,095	34,590	-
	<u>3,373,936</u>	<u>962,262</u>	<u>499,030</u>	<u>-</u>
Support services:				
Student	86,326	-	-	-
Instructional staff	32,978	-	-	-
Administration	472,517	237	-	-
Operation and maintenance of plant	271,838	263	-	-
Transportation	266,209	28,722	4,400	-
	<u>1,129,868</u>	<u>29,222</u>	<u>4,400</u>	<u>-</u>
Non-instructional programs	<u>1,199</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	51,810	-	-	-
Long-term debt interest	28,778	-	-	-
AEA flowthrough	148,611	-	148,611	-
Loss on disposal of capital assets	46,097	-	-	-
Depreciation (unallocated)*	99,434	-	-	-
	<u>374,730</u>	<u>-</u>	<u>148,611</u>	<u>-</u>
Total governmental activities	<u>4,879,733</u>	<u>991,484</u>	<u>652,041</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	196,093	106,485	94,525	-
Total	<u>5,075,826</u>	<u>1,097,969</u>	<u>746,566</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,074,473)	-	(1,074,473)
(585,545)	-	(585,545)
(252,626)	-	(252,626)
<u>(1,912,644)</u>	<u>-</u>	<u>(1,912,644)</u>
(86,326)	-	(86,326)
(32,978)	-	(32,978)
(472,280)	-	(472,280)
(271,575)	-	(271,575)
(233,087)	-	(233,087)
<u>(1,096,246)</u>	<u>-</u>	<u>(1,096,246)</u>
(1,199)	-	(1,199)
(51,810)	-	(51,810)
(28,778)	-	(28,778)
-	-	-
(46,097)	-	(46,097)
(99,434)	-	(99,434)
<u>(226,119)</u>	<u>-</u>	<u>(226,119)</u>
(3,236,208)	-	(3,236,208)
-	4,917	4,917
<u>(3,236,208)</u>	<u>4,917</u>	<u>(3,231,291)</u>
1,526,905	-	1,526,905
119,606	-	119,606
138,462	-	138,462
388,019	-	388,019
1,171,050	-	1,171,050
18,876	11	18,887
3,000	-	3,000
<u>3,365,918</u>	<u>11</u>	<u>3,365,929</u>
129,710	4,928	134,638
<u>3,593,721</u>	<u>14,547</u>	<u>3,608,268</u>
<u>3,723,431</u>	<u>19,475</u>	<u>3,742,906</u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	578,223	240,490	79,102	897,815
Cash with fiscal agent	-	464,524	-	464,524
Receivables:				
Property tax:				
Delinquent	29,074	2,507	2,935	34,516
Accounts	18	-	-	18
Due from other governments	134,521	71,086	-	205,607
Total assets	<u>741,836</u>	<u>778,607</u>	<u>82,037</u>	<u>1,602,480</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	48,705	4,122	-	52,827
Deferred revenue:				
Income surtax	120,379	-	-	120,379
Total liabilities	<u>169,084</u>	<u>4,122</u>	<u>-</u>	<u>173,206</u>
Fund balances:				
Restricted for:				
Categorical funding	63,805	-	-	63,805
Debt service	-	464,524	-	464,524
Management levy	-	-	80,724	80,724
Student activities	-	-	1,313	1,313
School infrastructure	-	159,960	-	159,960
Physical plant and equipment	-	150,001	-	150,001
Unassigned	508,947	-	-	508,947
Total fund balances	<u>572,752</u>	<u>774,485</u>	<u>82,037</u>	<u>1,429,274</u>
Total liabilities and fund balances	<u>741,836</u>	<u>778,607</u>	<u>82,037</u>	<u>1,602,480</u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

	\$
Total fund balances of governmental funds (Exhibit C)	1,429,274
<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.	3,487,861
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	120,379
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.	(14,389)
Long-term liabilities, including bonds payable, termination benefits, and other postemployment benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(1,299,694)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,723,431</u></u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,511,940	507,625	140,016	2,159,581
Tuition	908,485	-	-	908,485
Other	71,893	351	29,631	101,875
State sources	1,590,436	59	69	1,590,564
Federal sources	232,527	-	-	232,527
Total revenues	<u>4,315,281</u>	<u>508,035</u>	<u>169,716</u>	<u>4,993,032</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,996,598	-	64,747	2,061,345
Special	620,586	-	-	620,586
Other	274,967	3,349	32,226	310,542
	<u>2,892,151</u>	<u>3,349</u>	<u>96,973</u>	<u>2,992,473</u>
Support services:				
Student	85,557	-	-	85,557
Instructional staff	17,444	14,743	406	32,593
Administration	441,929	41,880	3,867	487,676
Operation and maintenance of plant	238,587	29,308	23,703	291,598
Transportation	216,981	125	5,672	222,778
	<u>1,000,498</u>	<u>86,056</u>	<u>33,648</u>	<u>1,120,202</u>
Non-instructional programs	-	-	1,199	1,199
Other expenditures:				
Facilities acquisition	-	197,876	-	197,876
Long-term debt:				
Principal	-	-	245,000	245,000
Interest and fiscal charges	-	-	33,065	33,065
AEA flowthrough	148,611	-	-	148,611
	<u>148,611</u>	<u>197,876</u>	<u>278,065</u>	<u>624,552</u>
Total expenditures	<u>4,041,260</u>	<u>287,281</u>	<u>409,885</u>	<u>4,738,426</u>
Excess (deficiency) of revenues over (under) expenditures	<u>274,021</u>	<u>220,754</u>	<u>(240,169)</u>	<u>254,606</u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	<u>General</u>	<u>Capital</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$	\$
Other financing sources (uses):				
Compensation for loss of fixed assets	-	3,000	-	3,000
Operating transfers in	-	-	278,065	278,065
Operating transfers out	-	(278,065)	-	(278,065)
Total other financing sources (uses)	<u>-</u>	<u>(275,065)</u>	<u>278,065</u>	<u>3,000</u>
Net change in fund balances	274,021	(54,311)	37,896	257,606
Fund balances beginning of year, as restated	<u>298,731</u>	<u>828,796</u>	<u>44,141</u>	<u>1,171,668</u>
Fund balances end of year	<u><u>572,752</u></u>	<u><u>774,485</u></u>	<u><u>82,037</u></u>	<u><u>1,429,274</u></u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		257,606
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and loss on disposal of capital assets exceeded capital outlay expenditures in the current year, as follows:		
Loss on disposal of capital assets	(46,097)	
Expenditures for capital assets	192,163	
Depreciation expense	<u>(165,630)</u>	(19,564)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		13,411
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.		245,000
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.		4,287
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	(359,316)	
Compensated absences	4,444	
Other postemployment benefits	<u>(16,158)</u>	<u>(371,030)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>129,710</u></u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	9,299
Accounts receivable	1,358
Inventories	5,053
Capital assets, net of accumulated depreciation	<u>7,517</u>
Total assets	<u>23,227</u>
Liabilities	
Deferred revenue	2,995
Net OPEB liability	<u>757</u>
Total liabilities	<u>3,752</u>
Net assets	
Invested in capital assets	7,517
Unrestricted	<u>11,958</u>
Total net assets	<u><u>19,475</u></u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Nonmajor School Nutrition <u> </u> \$
Operating revenues:	
Local sources:	
Charges for service	<u>106,485</u>
Operating expenses:	
Non-instructional programs:	
Salaries	59,881
Benefits	25,101
Purchased services	1,901
Supplies	107,408
Depreciation	1,476
Other	326
Total operating expenses	<u>196,093</u>
Operating income (loss)	<u>(89,608)</u>
Non-operating revenues:	
State sources	2,057
Federal sources	92,468
Interest income	11
Total non-operating revenues	<u>94,536</u>
Change in net assets	4,928
Net assets beginning of year	<u>14,547</u>
Net assets end of year	<u><u>19,475</u></u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	105,919
Cash payments to employees for services	(84,597)
Cash payments to suppliers for goods or services	(97,747)
Net cash used by operating activities	<u>(76,425)</u>
Cash flows from non-capital financing activities:	
State grants received	2,057
Federal grants received	80,218
Net cash provided by non-capital financing activities	<u>82,275</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>11</u>
Net increase (decrease) in cash and cash equivalents	5,861
Cash and cash equivalents at beginning of year	<u>3,438</u>
Cash and cash equivalents at end of year	<u><u>9,299</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(89,608)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	12,250
Depreciation	1,318
Decrease (increase) in inventories	(362)
Decrease (increase) in accounts receivable	(179)
(Decrease) increase in deferred revenue	(229)
(Decrease) increase in other postemployment benefits	385
Net cash used by operating activities	<u><u>(76,425)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$12,250 of federal commodities.

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	1,864
Liabilities	
	<u>-</u>
Net assets	
Reserved for scholarships	<u><u>1,864</u></u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	14,902
Deductions:	
Support services:	
Scholarships awarded	<u>15,700</u>
Change in net assets	(798)
Net assets beginning of year	<u>2,662</u>
Net assets end of year	<u><u>1,864</u></u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt 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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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 and intangibles, 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	5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	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 over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Intangibles	3-40 yrs
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 hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – In the governmental fund financial statements fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

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, 2011 expenditures did not exceed the amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of \$496,461 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer To	Transfer From	Amount \$
Nonmajor-Debt Service Fund	Capital Projects Fund	278,065

The transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
Governmental activities:				
Capital assets not being depreciated:				
Land	86,900	-	-	86,900
Capital assets being depreciated:				
Buildings	4,831,615	146,066	-	4,977,681
Improvements other than buildings	164,306	-	-	164,306
Furniture and equipment	698,820	46,097	84,093	660,824
Total capital assets being deprec.	<u>5,694,741</u>	<u>192,163</u>	<u>84,093</u>	<u>5,802,811</u>
Less accumulated depreciation for:				
Buildings	1,712,147	96,774	-	1,808,921
Improvements other than buildings	140,253	2,660	-	142,913
Furniture and equipment	421,816	66,196	37,996	450,016
Total accumulated depreciation	<u>2,274,216</u>	<u>165,630</u>	<u>37,996</u>	<u>2,401,850</u>
Total capital assets being depreciated, net	<u>3,420,525</u>	<u>26,533</u>	<u>46,097</u>	<u>3,400,961</u>
Governmental activities capital assets, net	<u>3,507,425</u>	<u>26,533</u>	<u>46,097</u>	<u>3,487,861</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	15,225	-	-	15,225
Less accumulated depreciation	6,390	1,476	158	7,708
Business type activities capital assets, net	<u>8,835</u>	<u>(1,476)</u>	<u>(158)</u>	<u>7,517</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	13,895
Support services:	
Administration	6,896
Operation and maintenance of plant services	2,359
Transportation	43,046
	<u>66,196</u>
Unallocated depreciation	<u>99,434</u>
Total depreciation expense – governmental activities	<u>165,630</u>
Business type activities:	
Food services	<u>1,476</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Sales tax revenue bonds	1,040,000	-	245,000	795,000	255,000
Compensated absences	4,444	-	4,444	-	-
Termination benefits	113,603	394,816	35,500	472,919	222,266
Net OPEB liability	15,617	16,158	-	31,775	-
Total	<u>1,173,664</u>	<u>410,974</u>	<u>284,944</u>	<u>1,299,694</u>	<u>477,266</u>
Business type activities:					
Net OPEB liability	<u>372</u>	<u>385</u>	<u>-</u>	<u>757</u>	<u>-</u>

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal years 2009 and 2011. Eligible employees must have completed at least twenty years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Benefits are based on 100% of the difference between the current placement on the salary schedule and the current BA base salary.

At June 30, 2011, the District has obligations to eleven participants with a total liability of \$472,919. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$35,500.

Revenue Bonds Payable

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of Nov 2004			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2012	3.50	255,000	24,315	279,315
2013	3.60	265,000	15,082	280,082
2014	3.75	275,000	5,156	280,156
		<u>795,000</u>	<u>44,553</u>	<u>839,553</u>

The District has pledged future statewide sales, services and use tax revenues to repay the bonds issued in November 2004. The bonds were issued for the purpose of financing a portion of the costs of remodeling the school buildings and industrial tech building. The bonds are payable solely from the proceeds of the statewide sales, services and use 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 limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 75 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$839,553. For the current year principal and interest of \$278,065 were paid on the bonds and total statewide sales, services and use tax revenues were \$388,019.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- The bonds will only be redeemed from the future earnings of the statewide sales, services and use 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.
- \$195,000 of the proceeds from the bond issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account with a trustee. The trustee will make monthly transfers from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund at the end of a quarter may be used for any lawful purpose. The sinking fund is part of the Capital Projects Fund.

6. 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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$152,914, \$143,206, and \$142,396 respectively, equal to the required contributions for each year.

7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 41 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	29,055
Interest on net OPEB obligation	400
Adjustment to annual required contribution	<u>(1,953)</u>
Annual OPEB cost	27,502
Contributions made	<u>10,959</u>
Increase in net OPEB obligation	16,543
Net OPEB obligation beginning of year	<u>15,989</u>
Net OPEB obligation end of year	<u>32,532</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$10,959 to the medical plan and retirees contributed \$96,631.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
2010	27,918	42.7%	15,989
2011	27,502	39.8%	32,532

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$248,108, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$248,108. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,903,000, and the ratio of the UAAL to covered payroll was 13.0%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the Frozen Entry Age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

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 \$148,611 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Returning dropout and dropout prevention program	40,701
Teacher salary supplement	16,647
Core curriculum	6,457
	<u>63,805</u>

11. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, was implemented during the year ended 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
	\$	\$
Balances June 30, 2010, as previously reported	679,807	148,989
Change in fund type classification per implementation of GASB Statement No. 54	<u>148,989</u>	<u>(148,989)</u>
Balances July 1, 2010, as restated	<u>828,796</u>	<u>-</u>

12. Merger

On July 1, 2011 the District merged with the Sheffield-Chapin/Meservey-Thornton School District to form a new combined district named West Fork Community Schools and no longer existed as a separate school district.

REQUIRED SUPPLEMENTARY INFORMATION

ROCKWELL-SWALEDALE 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, 2011

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,169,941	106,496	3,276,437	3,192,471	3,192,471	83,966
State sources	1,590,564	2,057	1,592,621	1,698,391	1,698,391	(105,770)
Federal sources	232,527	92,468	324,995	201,500	201,500	123,495
Total revenues	<u>4,993,032</u>	<u>201,021</u>	<u>5,194,053</u>	<u>5,092,362</u>	<u>5,092,362</u>	<u>101,691</u>
Expenditures/Expenses:						
Instruction	2,992,473	-	2,992,473	3,225,000	3,225,000	232,527
Support services	1,120,202	-	1,120,202	1,345,000	1,345,000	224,798
Non-instructional programs	1,199	196,093	197,292	199,000	199,000	1,708
Other expenditures	624,552	-	624,552	798,343	798,343	173,791
Total expenditures/expenses	<u>4,738,426</u>	<u>196,093</u>	<u>4,934,519</u>	<u>5,567,343</u>	<u>5,567,343</u>	<u>632,824</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	254,606	4,928	259,534	(474,981)	(474,981)	734,515
Other financing sources (uses) net	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	257,606	4,928	262,534	(474,981)	(474,981)	737,515
Balance beginning of year	<u>1,171,668</u>	<u>14,547</u>	<u>1,186,215</u>	<u>1,112,791</u>	<u>1,112,791</u>	<u>73,424</u>
Balance end of year	<u><u>1,429,274</u></u>	<u><u>19,475</u></u>	<u><u>1,448,749</u></u>	<u><u>637,810</u></u>	<u><u>637,810</u></u>	<u><u>810,939</u></u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District did not amend its budget.

During the year ended June 30, 2011, expenditures did not exceed the amount budgeted.

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Schedule of funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	265,627	265,627	0.0%	1,600,000	16.6%
2011	July 2, 2009	-	248,108	248,108	0.0%	1,903,000	13.0%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

	Special Revenue		Total
	Management Levy	Student Activity	
Assets	\$	\$	\$
Cash and pooled investments	77,789	1,313	79,102
Receivables:			
Property tax:			
Delinquent	2,935	-	2,935
Total assets	<u>80,724</u>	<u>1,313</u>	<u>82,037</u>
Liabilities & Fund Balances			
Liabilities	-	-	-
Fund balances:			
Restricted for:			
Management levy	80,724	-	80,724
Student activities	-	1,313	1,313
Total fund balances	<u>80,724</u>	<u>1,313</u>	<u>82,037</u>
Total liabilities and fund balances	<u>80,724</u>	<u>1,313</u>	<u>82,037</u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Special Revenue Funds			Total
	Management	Student	Debt	
	Levy	Activity	Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	140,016	-	-	140,016
Other	5,536	24,095	-	29,631
State sources	69	-	-	69
Total revenues	<u>145,621</u>	<u>24,095</u>	<u>-</u>	<u>169,716</u>
Expenditures:				
Current:				
Instruction:				
Regular	64,747	-	-	64,747
Other	-	32,226	-	32,226
Support services:				
Instructional staff	406	-	-	406
Administration	3,867	-	-	3,867
Operation and maintenance of plant	23,703	-	-	23,703
Transportation	5,672	-	-	5,672
Non-instructional programs	1,199	-	-	1,199
Other expenditures:				
Long-term debt:				
Principal	-	-	245,000	245,000
Interest and fiscal charges	-	-	33,065	33,065
Total expenditures	<u>99,594</u>	<u>32,226</u>	<u>278,065</u>	<u>409,885</u>
Excess (deficiency) of revenues over (under) expenditures	46,027	(8,131)	(278,065)	(240,169)
Other financing sources (uses):				
Operating transfers in	-	-	278,065	278,065
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	46,027	(8,131)	-	37,896
Fund balances beginning of year, as restated	<u>34,697</u>	<u>9,444</u>	<u>-</u>	<u>44,141</u>
Fund balances end of year	<u><u>80,724</u></u>	<u><u>1,313</u></u>	<u><u>-</u></u>	<u><u>82,037</u></u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash and pooled investments	88,874	151,616	240,490
Cash with fiscal agent	464,524	-	464,524
Receivables:			
Property tax:			
Delinquent	-	2,507	2,507
Due from other governments	71,086	-	71,086
Total assets	<u>624,484</u>	<u>154,123</u>	<u>778,607</u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	-	4,122	4,122
Fund balances:			
Restricted for:			
Debt service	464,524	-	464,524
School infrastructure	159,960	-	159,960
Physical plant and equipment	-	150,001	150,001
Total fund balances	<u>624,484</u>	<u>150,001</u>	<u>774,485</u>
Total liabilities and fund balances	<u>624,484</u>	<u>154,123</u>	<u>778,607</u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	388,019	119,606	507,625
Other	351	-	351
State sources	-	59	59
Total revenues	<u>388,370</u>	<u>119,665</u>	<u>508,035</u>
Expenditures:			
Current:			
Instruction:			
Other instruction	-	3,349	3,349
Support services:			
Instructional staff services	11,200	3,543	14,743
Administration services	19,247	22,633	41,880
Operation and maintenance of plant	-	29,308	29,308
Transportation services	-	125	125
Other expenditures:			
Facilities acquisition	135,181	62,695	197,876
Total expenditures	<u>165,628</u>	<u>121,653</u>	<u>287,281</u>
Excess (deficiency) of revenues over (under) expenditures	<u>222,742</u>	<u>(1,988)</u>	<u>220,754</u>
Other financing sources (uses):			
Compensation for loss of fixed assets	-	3,000	3,000
Operating transfers out	(278,065)	-	(278,065)
Total other financing sources (uses)	<u>(278,065)</u>	<u>3,000</u>	<u>(275,065)</u>
Net change in fund balance	(55,323)	1,012	(54,311)
Fund balances beginning of year, as restated	<u>679,807</u>	<u>148,989</u>	<u>828,796</u>
Fund balance end of year	<u><u>624,484</u></u>	<u><u>150,001</u></u>	<u><u>774,485</u></u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
General athletics	1,496	7,276	10,131	(283)	(1,642)
Student council	-	4,532	5,134	(318)	(920)
Student council - junior high	5,592	717	4,719	303	1,893
Drama	83	-	-	(83)	-
Middle school concessions	-	7,310	6,923	-	387
Music resale	177	471	547	-	101
Music trip	207	1,050	1,076	-	181
Yearbook	1,849	2,231	2,786	15	1,309
Pop	40	160	-	(200)	-
Interest	(1)	18	-	(17)	-
Cornbowl	1	330	-	(327)	4
Resale	-	-	910	910	-
	<u>9,444</u>	<u>24,095</u>	<u>32,226</u>	<u>-</u>	<u>1,313</u>

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	2,159,581	2,064,881	2,032,591	2,025,670	1,925,780	1,875,784	1,890,643	1,726,397
Tuition	908,485	899,679	981,704	133,530	130,050	118,950	131,772	146,155
Other	101,875	103,361	142,840	303,820	288,924	252,736	303,070	172,859
State sources	1,590,564	1,211,733	1,541,627	1,691,781	1,730,058	1,640,685	1,630,526	1,650,633
Federal sources	232,527	296,986	84,859	92,314	126,306	98,069	145,987	176,972
Total revenues	<u>4,993,032</u>	<u>4,576,640</u>	<u>4,783,621</u>	<u>4,247,115</u>	<u>4,201,118</u>	<u>3,986,224</u>	<u>4,101,998</u>	<u>3,873,016</u>
Expenditures:								
Instruction:								
Regular instruction	2,061,345	2,222,003	2,289,575	1,591,678	1,553,190	1,504,806	1,593,603	1,619,017
Special instruction	620,586	576,133	511,808	339,729	341,195	380,361	394,498	405,679
Other instruction	310,542	275,137	333,499	398,363	412,957	336,882	359,738	340,660
Support services:								
Student services	85,557	79,887	68,728	49,494	45,675	43,555	47,943	41,591
Instructional staff services	32,593	25,667	77,177	41,045	53,309	67,309	94,539	98,617
Administration services	487,676	499,085	528,592	576,988	556,770	545,459	471,597	426,707
Operation and maintenance	291,598	256,568	273,666	295,898	263,346	294,711	293,492	245,665
Transportation services	222,778	195,271	354,260	167,075	180,463	248,652	207,166	251,617
Non-instructional programs	1,199	3,562	604	525	49	300	2,590	562
Other expenditures:								
Facilities acquisition	197,876	62,542	78,027	127,710	221,709	1,268,363	1,351,510	333,093
Long-term debt:								
Principal	245,000	235,000	230,000	225,000	220,000	-	31,484	-
Interest and other charges	33,065	41,348	51,286	57,915	63,741	75,368	1,044	-
AEA flowthrough	148,611	143,837	127,198	126,765	124,701	121,213	121,562	124,295
Total expenditures	<u>4,738,426</u>	<u>4,616,040</u>	<u>4,924,420</u>	<u>3,998,185</u>	<u>4,037,105</u>	<u>4,886,979</u>	<u>4,970,766</u>	<u>3,887,503</u>

See accompanying independent auditor's report.

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rockwell-Swaledale Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 11-I-A and 11-I-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rockwell-Swaledale Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain 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, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

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

March 26, 2012

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

11-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, payroll processing, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- 11-II-A Certified Budget: Expenditures for the year ended June 30, 2011, did not exceed the amounts budgeted.
- 11-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 11-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.
- 11-II-D Business Transactions: We noted no transactions between the District and District officials or employees.
- 11-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.
- 11-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 11-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 11-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 11-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 11-II-J Certified Annual Report: The Certified Annual Report was certified timely to the Iowa Department of Education.
- 11-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 11-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

ROCKWELL-SWALEDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

Beginning balance	\$	\$
		679,807
Revenues/transfers in:		
Statewide sales, services and use tax revenue	388,019	
Interest	351	388,370
	<hr/>	
Expenditures/transfers out:		
School infrastructure construction	135,181	
Equipment	28,947	
Other	1,500	
Transfers to debt service fund	278,065	443,693
	<hr/>	<hr/>
Ending balance		624,484

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.

11-II-M Physical Plant and Equipment Levy Fund (PPEL): The Physical Plant and Equipment Levy Fund may be used to purchase or improve grounds, construct buildings, purchase or lease a single unit of equipment or technology with a unit cost exceeding \$500 and repair and remodel buildings. We noted that expenditures from this fund included expenditures for an individual item of equipment costing less than \$500. This item does not appear to be allowable from the PPEL Fund.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund and consider a General Fund reimbursement to the Physical Plant and Equipment Fund for the purchases.

District Response: We will monitor the expenditures from this fund and have General Fund make the reimbursement.

Conclusion: Response accepted.

11-II-N Deficit Balances: The Student Activity Fund has two accounts with deficit balances at June 30, 2011.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.