

ROCKWELL CITY/LYTTON

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

June 30, 2011

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	A 14
Statement of Activities	B 15-16
Governmental Fund Financial Statements:	
Balance Sheet	C 17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 18
Statement of Revenues, Expenditures and Changes in Fund Balances	E 19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 20
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 21
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H 22
Statement of Cash Flows	I 23
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 24
Notes to Financial Statements	25-34
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	36
Notes to Required Supplementary Information - Budgetary Reporting	37
Schedule of Funding Progress for the Retiree Health Plan	38
	<u>Schedule</u>
Other Supplementary Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 41
Capital Project Accounts:	
Combining Balance Sheet	3 42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4 43
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5 44
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6 45
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7 46
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	47-48
Schedule of Findings and Responses	49-51

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Independent Auditor's Report

To the Board of Education of
Rockwell City/Lytton Community School District:

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

In accordance with Government Auditing Standards, we have also issued our reports dated April 25, 2012 on our consideration of Rockwell City/Lytton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rockwell City/Lytton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report the financial statements for the five years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the two years ended June 30, 2005, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

April 25, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Rockwell City/Lytton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,878,291 in fiscal 2010 to \$5,064,738 in fiscal 2011, while General Fund expenditures increased from \$4,300,248 in fiscal 2010 to \$4,634,817 in fiscal 2011. The District's General Fund balance increased from \$237,856 in fiscal 2010 to \$668,471 in fiscal 2011, a 181% increase.
- The increase in General Fund revenues was attributable to an increase in property tax and state aid.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

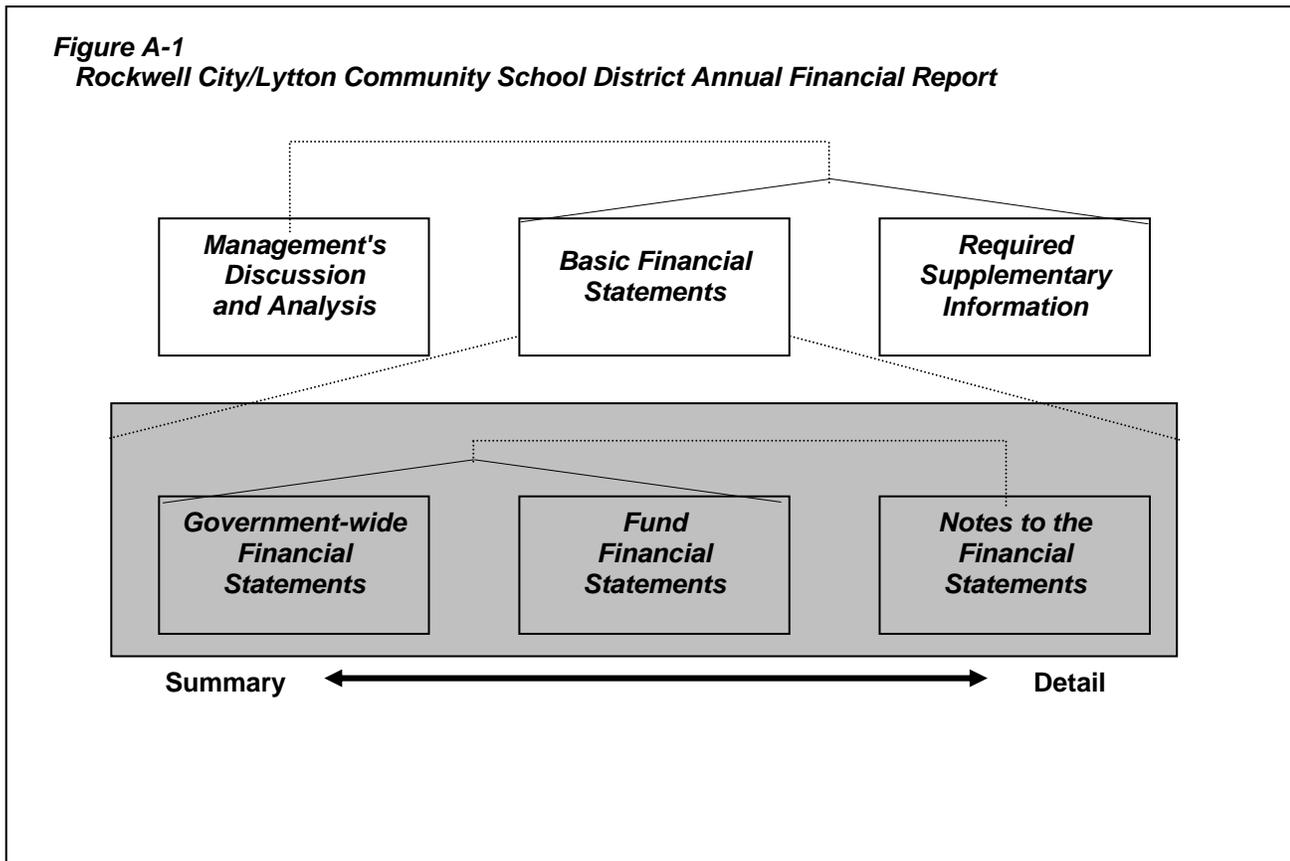


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

- Agency Funds – These are funds through which the District administers and accounts for certain monies on behalf of other entities.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 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	4,926,898	4,372,120	53,956	41,859	4,980,854	4,413,979	13%
Capital assets	1,568,010	1,507,803	49,453	14,846	1,617,463	1,522,649	6%
Total assets	6,494,908	5,879,923	103,409	56,705	6,598,317	5,936,628	11%
Long-term liabilities	173,897	144,644	-	-	173,897	144,644	20%
Other liabilities	3,011,026	3,005,198	5,413	2,503	3,016,439	3,007,701	<1%
Total liabilities	3,184,923	3,149,842	5,413	2,503	3,190,336	3,152,345	1%
Net Assets:							
Invested in capital assets, net of related debt	1,568,010	1,507,803	49,453	14,846	1,617,463	1,522,649	6%
Restricted	1,487,228	1,443,516	-	-	1,487,228	1,443,516	3%
Unrestricted	254,747	(221,238)	48,543	39,356	303,290	(181,882)	267%
TOTAL NET ASSETS	3,309,985	2,730,081	97,996	54,202	3,407,981	2,784,283	22%

The District's combined net assets increased by nearly 22%, or approximately \$623,698, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$43,712 or 3% over the prior year. The increase was primarily a result of decreased expenditures. The Local Option Sales Tax balance increased for spending on future planned projects.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$485,172, or 267%.

Figure A-4 shows the change in net assets for the year ended June 30, 2011 compared to the year ended June 30, 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	700,588	648,033	116,709	127,840	817,297	775,873	5%
Operating grants & contributions and restricted interest	813,315	1,072,904	120,140	115,778	933,455	1,188,682	-21%
Capital grants & contributions and restricted interest	-	5,000	-	-	-	5,000	-100%
General Revenues:							
Property taxes	2,551,439	2,304,407	-	-	2,551,439	2,304,407	11%
Statewide sales & services tax	300,465	299,386	-	-	300,465	299,386	<1%
Unrestricted state grants	1,365,548	1,298,816	-	-	1,365,548	1,298,816	5%
Unrestricted investment earnings	8,585	21,791	-	-	8,607	21,791	-61%
Other revenue	694	12,306	22	11	694	12,317	-94%
Gain (loss) on disposal of capital assets	-	(16,119)	3,325	3,623	3,325	(12,496)	127%
Total Revenues	5,740,634	5,646,524	240,196	247,252	5,980,830	5,893,776	1%
Expenses:							
Instruction	3,312,296	3,224,052	-	-	3,312,296	3,224,052	3%
Support services	1,458,452	1,308,623	-	-	1,458,452	1,308,623	11%
Non-instructional programs	130	96	216,963	217,359	217,093	217,455	<-1%
Other expenditures	369,291	346,324	-	-	369,291	346,324	7%
Total expenses	5,140,169	4,879,095	216,963	217,359	5,357,132	5,096,454	5%
Change in net assets before transfers	600,465	767,429	23,233	29,893	623,698	797,322	-22%
Transfers	(20,561)	-	20,561	-	-	-	-
CHANGE IN NET ASSETS	579,904	767,429	43,794	29,893	623,698	797,322	-22%
Net assets beginning of year	2,730,081	1,962,652	54,202	24,309	2,784,283	1,986,961	40%
Net assets end of year	3,309,985	2,730,081	97,996	54,202	3,407,981	2,784,283	22%

Property tax and unrestricted state grants account for 65% 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 \$5,740,634 and expenses were \$5,140,169.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2011 \$	Total Cost of Services 2010 \$	Net Cost of Services 2011 \$	Net Cost of Services 2010 \$
Instruction	3,312,296	3,224,052	2,002,857	1,706,403
Support Services	1,458,452	1,308,623	1,451,469	1,303,785
Non-instructional Programs	130	96	130	96
Other Expenses	369,291	346,324	171,810	142,874
TOTAL	5,140,169	4,879,095	3,626,266	3,153,158

- The cost financed by users of the District’s programs was \$700,588. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$813,315.
- The net cost of governmental activities was financed with \$2,851,904 in property and other taxes and \$1,365,548 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$240,196 and expenses were \$216,963. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,915,872, above last year’s ending fund balances of \$1,366,922.

Governmental Fund Highlights

- The District’s improved General Fund financial position is the result of many factors.
- The General Fund balance increased from \$237,856 to \$668,471, due in part to the past reductions of staff and an increase in sharing revenues.
- 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 \$140,466 at June 30, 2010 to \$146,667 at June 30, 2011.
- The Statewide Sales Tax account balance increased from \$764,036 at June 30, 2010 to \$816,952 at June 30, 2011.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$54,202 at June 30, 2010 to \$97,996 at June 30, 2011, representing an increase of approximately 81%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$73,042 less than budgeted receipts, a variance of 1%.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011 the District had invested \$1.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 6% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$179,596.

During fiscal year 2011 the District's main expenditures for in the capital assets area related to technology and track improvements.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2010-2011
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Land	92,000	92,000	-	-	92,000	92,000	0%
Construction in Progress	126,805	-	-	-	126,805	-	100%
Buildings	816,185	874,201	-	-	816,185	874,201	-7%
Improvements	267,815	327,290	-	-	267,815	327,290	-18%
Equipment & Furniture	265,205	214,312	49,453	14,846	314,658	229,158	37%
TOTAL	1,568,010	1,507,803	49,453	14,846	1,617,463	1,522,649	6%

Long-Term Debt

At June 30, 2011 the District had \$173,897 in long-term debt outstanding.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage
	2011	2010	Change
	\$	\$	2010-2011
Termination benefits	134,482	104,092	29%
Compensated absences	25,050	32,550	-23%
Net OPEB liability	14,365	8,002	80%
	<u>173,897</u>	<u>144,644</u>	<u>20%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- The school district is expanding whole grade sharing with SC to include all students in grades K-12.
- The school will attempt a consolidation vote in February, 2013.
- Enrollment trend continues to decline.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	2,215,867	50,868	2,266,735
Receivables:			
Property tax:			
Delinquent	33,819	-	33,819
Succeeding year	2,457,269	-	2,457,269
Accounts	286	48	334
Due from other governments	219,657	-	219,657
Inventories	-	3,040	3,040
Capital assets, net of accumulated depreciation	1,568,010	49,453	1,617,463
Total assets	6,494,908	103,409	6,598,317
Liabilities			
Accounts payable	27,005	-	27,005
Salaries and benefits payable	434,627	2,627	437,254
Deferred revenue:			
Succeeding year property tax	2,457,269	-	2,457,269
Other	92,125	2,786	94,911
Long-term liabilities:			
Portion due within one year:			
Termination benefits	26,106	-	26,106
Compensated absences	8,350	-	8,350
Portion due after one year:			
Termination benefits	108,376	-	108,376
Compensated absences	16,700	-	16,700
Net OPEB liability	14,365	-	14,365
Total Liabilities	3,184,923	5,413	3,190,336
Net assets			
Invested in capital assets	1,568,010	49,453	1,617,463
Restricted for:			
Categorical funding	374,309	-	374,309
Management levy	83,298	-	83,298
Physical plant and equipment levy	146,667	-	146,667
Student activity	66,002	-	66,002
School infrastructure	816,952	-	816,952
Unrestricted	254,747	48,543	303,290
Total net assets	3,309,985	97,996	3,407,981

See notes to financial statements.

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

Functions/Programs	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,215,184	499,240	462,244	-
Special	483,053	81,081	23,645	-
Other	614,059	114,420	128,809	-
	<u>3,312,296</u>	<u>694,741</u>	<u>614,698</u>	<u>-</u>
Support services:				
Student	123,938	-	-	-
Instructional staff	102,460	-	-	-
Administration	641,589	-	-	-
Operation and maintenance of plant	369,109	5,847	-	-
Transportation	221,356	-	1,136	-
	<u>1,458,452</u>	<u>5,847</u>	<u>1,136</u>	<u>-</u>
Non-instructional programs	<u>130</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	54,319	-	-	-
AEA flowthrough	197,481	-	197,481	-
Depreciation (unallocated)*	117,491	-	-	-
	<u>369,291</u>	<u>-</u>	<u>197,481</u>	<u>-</u>
Total governmental activities	5,140,169	700,588	813,315	-
Business type activities:				
Non-instructional programs:				
Food service operations	216,963	116,709	120,140	-
Total	<u>5,357,132</u>	<u>817,297</u>	<u>933,455</u>	<u>-</u>

General Revenues:

Property taxes levied for:
 General purposes
 Capital outlay
 Statewide sales, services and use tax
 Unrestricted state grants
 Unrestricted investment earnings
 Other
 Gain on disposal of capital assets

Total general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets beginning of year

Net assets end of year

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

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>
(1,253,700)	-	(1,253,700)
(378,327)	-	(378,327)
(370,830)	-	(370,830)
<u>(2,002,857)</u>	<u>-</u>	<u>(2,002,857)</u>
(123,938)	-	(123,938)
(102,460)	-	(102,460)
(641,589)	-	(641,589)
(363,262)	-	(363,262)
(220,220)	-	(220,220)
<u>(1,451,469)</u>	<u>-</u>	<u>(1,451,469)</u>
(130)	-	(130)
(54,319)	-	(54,319)
-	-	-
<u>(117,491)</u>	<u>-</u>	<u>(117,491)</u>
<u>(171,810)</u>	<u>-</u>	<u>(171,810)</u>
(3,626,266)	-	(3,626,266)
-	19,886	19,886
<u>(3,626,266)</u>	<u>19,886</u>	<u>(3,606,380)</u>
2,489,650	-	2,489,650
61,789	-	61,789
300,465	-	300,465
1,365,548	-	1,365,548
8,585	22	8,607
694	-	694
-	3,325	3,325
4,226,731	3,347	4,230,078
(20,561)	20,561	-
<u>4,206,170</u>	<u>23,908</u>	<u>4,230,078</u>
579,904	43,794	623,698
<u>2,730,081</u>	<u>54,202</u>	<u>2,784,283</u>
<u>3,309,985</u>	<u>97,996</u>	<u>3,407,981</u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	1,077,166	860,368	278,333	2,215,867
Receivables:				
Property tax:				
Delinquent	30,747	822	2,250	33,819
Succeeding year	2,242,641	64,629	149,999	2,457,269
Accounts	-	286	-	286
Interfund receivable	-	-	3,200	3,200
Due from other governments	107,974	111,683	-	219,657
Total assets	3,458,528	1,037,788	433,782	4,930,098
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	20,665	6,340	-	27,005
Salaries and benefits payable	434,626	-	1	434,627
Interfund payable	-	3,200	-	3,200
Deferred revenue:				
Succeeding year property tax	2,242,641	64,629	149,999	2,457,269
Other	92,125	-	-	92,125
Total liabilities	2,790,057	74,169	150,000	3,014,226
Fund balances:				
Restricted for:				
Categorical funding	374,309	-	-	374,309
Management levy	-	-	217,780	217,780
Student activities	-	-	66,002	66,002
School infrastructure	-	816,952	-	816,952
Physical plant and equipment	-	146,667	-	146,667
Unassigned	294,162	-	-	294,162
Total fund balances	668,471	963,619	283,782	1,915,872
Total liabilities and fund balances	3,458,528	1,037,788	433,782	4,930,098

ROCKWELL CITY/LYTTON 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)	1,915,872
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,568,010
Long-term liabilities, including termination benefits, compensated absences, 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>(173,897)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,309,985</u></u>

ROCKWELL CITY/LYTTON 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 property tax	2,319,731	61,789	169,919	2,551,439
Statewide sales tax	-	300,465	-	300,465
Tuition	299,705	-	-	299,705
Other	266,565	17,501	125,402	409,468
State sources	1,980,195	34	92	1,980,321
Federal sources	198,542	-	-	198,542
Total revenues	<u>5,064,738</u>	<u>379,789</u>	<u>295,413</u>	<u>5,739,940</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,153,025	41,169	10,765	2,204,959
Special	482,808	-	-	482,808
Other	477,799	-	136,260	614,059
	<u>3,113,632</u>	<u>41,169</u>	<u>147,025</u>	<u>3,301,826</u>
Support services:				
Student	119,342	-	-	119,342
Instructional staff	101,971	-	-	101,971
Administration	602,702	3,295	51,884	657,881
Operation and maintenance of plant	316,518	22,243	29,455	368,216
Transportation	183,041	33,259	7,831	224,131
	<u>1,323,574</u>	<u>58,797</u>	<u>89,170</u>	<u>1,471,541</u>
Non-instructional programs	<u>130</u>	<u>-</u>	<u>-</u>	<u>130</u>
Other expenditures:				
Facilities acquisition	-	220,706	-	220,706
AEA flowthrough	197,481	-	-	197,481
	<u>197,481</u>	<u>220,706</u>	<u>-</u>	<u>418,187</u>
Total expenditures	<u>4,634,817</u>	<u>320,672</u>	<u>236,195</u>	<u>5,191,684</u>
Excess (deficiency) of revenues over (under) expenditures	429,921	59,117	59,218	548,256
Other financing sources (uses):				
Sales of equipment	694	-	-	694
Net change in fund balances	430,615	59,117	59,218	548,950
Fund balances beginning of year, as restated	<u>237,856</u>	<u>904,502</u>	<u>224,564</u>	<u>1,366,922</u>
Fund balances end of year	<u><u>668,471</u></u>	<u><u>963,619</u></u>	<u><u>283,782</u></u>	<u><u>1,915,872</u></u>

See notes to financial statements.

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		548,950
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	239,097	
Depreciation expense	<u>(178,890)</u>	60,207
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	(30,390)	
Compensated absences	7,500	
Other postemployment benefits	<u>(6,363)</u>	<u>(29,253)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>579,904</u></u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	50,868
Accounts receivable	48
Inventories	3,040
Capital assets, net of accumulated depreciation	<u>49,453</u>
Total assets	<u>103,409</u>
Liabilities	
Salaries and benefits payable	2,627
Deferred revenue	<u>2,786</u>
Total liabilities	<u>5,413</u>
Net assets	
Invested in capital assets	49,453
Unrestricted	<u>48,543</u>
Total net assets	<u><u>97,996</u></u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>116,709</u>
Operating expenses:	
Non-instructional programs:	
Salaries	83,767
Benefits	17,331
Purchased services	5,761
Supplies	107,016
Depreciation	3,088
Total operating expenses	<u>216,963</u>
Operating income (loss)	<u>(100,254)</u>
Non-operating revenues:	
State sources	2,146
Federal sources	117,994
Interest income	22
Gain on disposal of equipment	3,325
Total non-operating revenues	<u>123,487</u>
Income (loss) before contributions	23,233
Capital contributions	<u>20,561</u>
Change in net assets	43,794
Net assets beginning of year	<u>54,202</u>
Net assets end of year	<u><u>97,996</u></u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	116,948
Cash payments to employees for services	(98,471)
Cash payments to suppliers for goods or services	(96,857)
Net cash used by operating activities	<u>(78,380)</u>
Cash flows from non-capital financing activities:	
State grants received	2,146
Federal grants received	102,289
Net cash provided by non-capital financing activities	<u>104,435</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(13,809)</u>
Cash flows from investing activities:	
Interest on investments	<u>22</u>
Net increase (decrease) in cash and cash equivalents	12,268
Cash and cash equivalents at beginning of year	<u>38,600</u>
Cash and cash equivalents at end of year	<u><u>50,868</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(100,254)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	15,705
Depreciation	3,088
Decrease (increase) in inventories	215
Decrease (increase) in accounts receivable	(44)
(Decrease) increase in salaries and benefits payable	2,627
(Decrease) increase in deferred revenue	283
Net cash used by operating activities	<u><u>(78,380)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$15,705 of federal commodities.

During the year ended June 30, 2011, the School Nutrition Fund received \$20,561 of equipment that was purchased by other funds.

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	<u>Agency</u>
	\$
Assets	
Cash and pooled investments	914
Liabilities	
Other payables	<u>914</u>
Net Assets	<u><u>-</u></u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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 and governmental funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment 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	3,500
Buildings	3,500
Improvements other than buildings	3,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	3-10 years
Furniture and equipment	5-12 years

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 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, the District did not exceed its published budget.

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 \$1,782,332 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount \$
Nonmajor Governmental, Management Fund	Capital Projects Fund	3,200

The Management Fund is due funds for reimbursement of expenses.

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	92,000	-	-	92,000
Construction in progress	-	126,805	-	126,805
	<u>92,000</u>	<u>126,805</u>	<u>-</u>	<u>218,805</u>
Capital assets being depreciated:				
Buildings	2,719,046	-	-	2,719,046
Improvements other than buildings	2,572,451	-	-	2,572,451
Furniture and equipment	1,070,155	112,292	-	1,182,447
Total capital assets being deprec.	<u>6,361,652</u>	<u>112,292</u>	<u>-</u>	<u>6,473,944</u>
Less accumulated depreciation for:				
Buildings	1,844,845	58,016	-	1,902,861
Improvements other than buildings	2,245,161	59,475	-	2,304,636
Furniture and equipment	855,843	61,399	-	917,242
Total accumulated depreciation	<u>4,945,849</u>	<u>178,890</u>	<u>-</u>	<u>5,124,739</u>

Total capital assets being depreciated, net	<u>1,415,803</u>	<u>(66,598)</u>	<u>-</u>	<u>1,349,205</u>
Governmental activities capital assets, net	<u>1,507,803</u>	<u>60,207</u>	<u>-</u>	<u>1,568,010</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	58,488	34,370	-	92,858
Less accumulated depreciation	<u>40,317</u>	<u>3,088</u>	<u>-</u>	<u>43,405</u>
Business type activities capital assets, net	<u>18,171</u>	<u>31,282</u>	<u>-</u>	<u>49,453</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	24,051
Support services:	
Student support	4,596
Administration	1,864
Operation and maintenance	404
Transportation	<u>30,484</u>
	61,399
Unallocated depreciation	<u>117,491</u>
Total depreciation expense – governmental activities	<u>178,890</u>
Business type activities:	
Food services	<u>3,088</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:					
Termination benefits	104,092	73,513	43,123	134,482	26,106
Compensated absences	32,550	-	7,500	25,050	8,350
Net OPEB liability	8,002	6,363	-	14,365	-
Totals	<u>144,644</u>	<u>79,876</u>	<u>50,623</u>	<u>173,897</u>	<u>34,456</u>

Termination Benefits

The District offered a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commenced.

At June 30, 2011, the District has obligations to five participants with a total liability of \$134,482. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$43,123.

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 that are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual 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 \$186,197, \$180,620, and \$189,095 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 25 active and 4 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	14,164
Interest on net OPEB obligation	200
Adjustment to annual required contribution	(1,213)
Annual OPEB cost	<u>13,151</u>
Contributions made	<u>6,788</u>
Increase in net OPEB obligation	6,363
Net OPEB obligation beginning of year	<u>8,002</u>
Net OPEB obligation end of year	<u>14,365</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 \$6,788 to the medical plan. Plan members eligible for benefits contributed \$10,883, or 62% of the premium costs.

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	13,319	40%	8,002
2011	13,151	52%	14,365

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 \$114,274, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$114,274. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,197,000, and the ratio of the UAAL to covered payroll was 9.5%. 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

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$197,481 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:

Program	Amount
	\$
Gifted and talented	11,401
At risk	13,160
Returning dropout and dropout prevention	129,776
Teacher salary supplement	47,488
Educator quality, professional development	19,619
Core curriculum	24,761
Voluntary four-year-old preschool program	71,815
Early intervention	5,343
Public school child development	43,887
Other	7,059
	374,309

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:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
	\$	\$
Balances June 30, 2010, as previously reported	764,036	140,466
Change in fund type classification per implementation of GASB Statement No. 54	140,466	(140,466)
Balances July 1, 2010, as restated	904,502	-

12. Construction Commitment The district has entered into a construction contract totaling \$190,033 for work on a track. As of June 30, 2011 \$63,228 of the contract was uncompleted.

REQUIRED SUPPLEMENTARY INFORMATION

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
				\$	\$	
Revenues:						
Local sources	3,561,077	116,731	3,677,808	3,572,853	3,572,853	104,955
State sources	1,980,321	2,146	1,982,467	2,287,000	2,287,000	(304,533)
Federal sources	198,542	117,994	316,536	190,000	190,000	126,536
Total revenues	<u>5,739,940</u>	<u>236,871</u>	<u>5,976,811</u>	<u>6,049,853</u>	<u>6,049,853</u>	<u>(73,042)</u>
Expenditures/Expenses:						
Instruction	3,301,826	-	3,301,826	4,254,376	4,254,376	952,550
Support services	1,471,541	-	1,471,541	1,733,489	1,733,489	261,948
Non-instructional programs	130	216,963	217,093	297,249	297,249	80,156
Other expenditures	418,187	-	418,187	750,303	750,303	332,116
Total expenditures/expenses	<u>5,191,684</u>	<u>216,963</u>	<u>5,408,647</u>	<u>7,035,417</u>	<u>7,035,417</u>	<u>1,626,770</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	548,256	19,908	568,164	(985,564)	(985,564)	1,553,728
Other financing sources (uses) net	<u>694</u>	<u>23,886</u>	<u>24,580</u>	<u>5,000</u>	<u>5,000</u>	<u>19,580</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	548,950	43,794	592,744	(980,564)	(980,564)	1,573,308
Balance beginning of year	<u>1,366,922</u>	<u>54,202</u>	<u>1,421,124</u>	<u>825,815</u>	<u>825,815</u>	<u>595,309</u>
Balance end of year	<u>1,915,872</u>	<u>97,996</u>	<u>2,013,868</u>	<u>(154,749)</u>	<u>(154,749)</u>	<u>2,168,617</u>

ROCKWELL CITY/LYTTON 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 a GAAP basis.

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

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

ROCKWELL CITY/LYTTON 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	-	122,179	122,179	0.0%	1,066,000	11.5%
2011	July 1, 2009	-	114,274	114,274	0.0%	1,197,000	9.5%

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 CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

Assets	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Management</u>	<u>Student</u>	
	<u>Levy</u>	<u>Activity</u>	
	\$	\$	\$
Cash and pooled investments	212,331	66,002	278,333
Receivables:			
Property tax:			
Delinquent	2,250	-	2,250
Succeeding year	149,999	-	149,999
Interfund receivable	3,200	-	3,200
Total assets	<u>367,780</u>	<u>66,002</u>	<u>433,782</u>
Liabilities & Fund Balances			
Liabilities:			
Salaries and benefits payable	1	-	1
Deferred revenue:			
Succeeding year property tax	149,999	-	149,999
Total liabilities	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Fund balances:			
Restricted for:			
Management levy	217,780	-	217,780
Student activities	-	66,002	66,002
Total fund balances	<u>217,780</u>	<u>66,002</u>	<u>283,782</u>
Total liabilities and fund balances	<u>367,780</u>	<u>66,002</u>	<u>433,782</u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Management</u>	<u>Student</u>	
	<u>Levy</u>	<u>Activity</u>	
	\$	\$	\$
Revenues:			
Local sources:			
Local property tax	169,919	-	169,919
Other	6,547	118,855	125,402
State sources	92	-	92
Total revenues	<u>176,558</u>	<u>118,855</u>	<u>295,413</u>
Expenditures:			
Current:			
Instruction:			
Regular	10,765	-	10,765
Other	-	136,260	136,260
Support services:			
Administration	51,884	-	51,884
Operation and maintenance of plant	29,455	-	29,455
Transportation	7,831	-	7,831
Total expenditures	<u>99,935</u>	<u>136,260</u>	<u>236,195</u>
Excess (deficiency) of revenues over (under) expenditures	76,623	(17,405)	59,218
Fund balances beginning of year, as restated	<u>141,157</u>	<u>83,407</u>	<u>224,564</u>
Fund balances end of year	<u><u>217,780</u></u>	<u><u>66,002</u></u>	<u><u>283,782</u></u>

ROCKWELL CITY-LYTTON 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	711,609	148,759	860,368
Receivables:			
Property tax:			
Delinquent	-	822	822
Succeeding year	-	64,629	64,629
Accounts	-	286	286
Due from other governments	111,683	-	111,683
Total assets	823,292	214,496	1,037,788
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	6,340	-	6,340
Interfund payables	-	3,200	3,200
Deferred revenue:			
Succeeding year property tax	-	64,629	64,629
Total liabilities	6,340	67,829	74,169
Fund balances:			
Restricted for:			
School infrastructure	816,952	-	816,952
Physical plant and equipment	-	146,667	146,667
Total fund balances	816,952	146,667	963,619
Total liabilities and fund balances	823,292	214,496	1,037,788

ROCKWELL CITY-LYTTON 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 property tax	-	61,789	61,789
Statewide sales, services and use tax	300,465	-	300,465
Other	10,527	6,974	17,501
State sources	-	34	34
Total revenues	<u>310,992</u>	<u>68,797</u>	<u>379,789</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	41,169	-	41,169
Support services:			
Administration services	3,295	-	3,295
Operation and maintenance of plant	22,243	-	22,243
Transportation services	-	33,259	33,259
Other expenditures:			
Facilities acquisition	191,369	29,337	220,706
Total expenditures	<u>258,076</u>	<u>62,596</u>	<u>320,672</u>
Net change in fund balance	52,916	6,201	59,117
Fund balances beginning of year, as restated	<u>764,036</u>	<u>140,466</u>	<u>904,502</u>
Fund balance end of year	<u><u>816,952</u></u>	<u><u>146,667</u></u>	<u><u>963,619</u></u>

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Athletics	8,143	18,549	22,169	2,119	6,642
Drama	918	1,069	518	(15)	1,454
Speech	1,524	124	1,663	15	-
Musical	1,333	1,189	1,080	-	1,442
Band	910	1,752	2,516	-	146
Band uniforms	75	-	-	-	75
Band trip	2,526	-	-	-	2,526
Chorus	684	1,497	3,174	1,135	142
Swing choir	79	-	-	(79)	-
Choir trip	1,056	-	-	(1,056)	-
Cheerleaders- basketball	1,186	-	-	-	1,186
Cheerleaders- wrestling	401	-	-	-	401
Cheerleaders- football	494	-	-	-	494
Drill team	3,044	8,821	12,551	772	86
Drill team trip	-	14,932	14,360	(572)	-
Boys basketball	2,757	10	156	-	2,611
Football	661	-	541	-	120
Varsity gold football	2,238	-	-	-	2,238
Baseball	-	884	8	(876)	-
Girls basketball	321	-	319	(2)	-
Volleyball	843	-	-	-	843
Softball	(279)	1,701	122	(1,300)	-
Class of 2011	3,905	337	3,916	(326)	-
Class of 2012	1,434	9,958	7,840	-	3,552
Class of 2013	316	645	-	-	961
Class of 2014	-	290	-	-	290
FFA	20,652	46,712	44,066	137	23,435
FCCLA	-	265	368	200	97
Academic society	1	-	-	-	1
Yearbook	2	5,222	6,381	1,826	669
Art club	138	229	68	-	299
French club	1	-	-	(1)	-
Student council	102	2,936	2,938	1	101
FFA savings	970	-	-	-	970
Investments	5,883	147	-	(3,914)	2,116
Interest-activity checking	-	40	-	(40)	-
MS athletics	19,165	58	9,456	1,832	11,599
MS drama	-	99	243	144	-
MS music	88	304	65	-	327
MS yearbook	1,320	861	1,143	-	1,038
MS student council	135	-	-	-	135
Elementary student council	381	224	599	-	6
Total	<u>83,407</u>	<u>118,855</u>	<u>136,260</u>	<u>-</u>	<u>66,002</u>

See accompanying independent auditor's report.

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2011

		Balance Beginning of Year	Additions	Deductions	Balance End of Year
		\$	\$	\$	\$
	Assets				
Cash		590	324	-	914
	Liabilities				
Other payables		590	324	-	914

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local property tax	2,551,078	2,304,407	1,959,964	1,679,089	1,675,046	1,427,833	1,318,787	1,762,806
Statewide sales tax	300,465	299,386	292,832	285,718	317,442	259,675	245,565	7,137
Tuition	299,705	265,388	241,541	283,393	223,674	210,691	128,190	149,258
Other	409,829	421,742	331,071	286,213	317,819	402,903	319,369	306,494
Intermediate sources	-	-	-	-	-	-	1,404	-
State sources	1,980,321	1,958,913	2,388,024	2,190,480	2,196,873	2,161,904	2,186,918	1,835,604
Federal sources	198,542	412,807	166,721	147,238	146,545	155,607	164,269	140,762
Total revenues	<u>5,739,940</u>	<u>5,662,643</u>	<u>5,380,153</u>	<u>4,872,131</u>	<u>4,877,399</u>	<u>4,618,613</u>	<u>4,364,502</u>	<u>4,202,061</u>
Expenditures:								
Instruction:								
Regular	2,204,959	1,962,439	2,356,905	2,166,862	2,085,360	1,891,028	1,875,677	1,816,424
Special	482,808	482,257	561,012	553,393	454,385	483,038	431,196	476,273
Other	614,059	816,995	839,233	603,167	570,574	615,451	593,906	509,610
Support services:								
Student	119,342	51,646	52,991	160,507	165,587	143,896	138,557	156,799
Instructional staff	101,971	107,498	102,894	114,508	124,663	131,507	119,087	123,173
Administration	657,881	604,972	618,598	581,393	516,578	550,555	537,626	514,024
Operation and maintenance	368,216	328,921	403,425	451,085	388,332	382,870	332,561	326,541
Transportation	224,131	288,525	190,569	178,534	229,630	189,952	193,631	238,040
Non-instructional programs	130	96	196	220	262	299	396	421
Other expenditures:								
Facilities acquisition	220,706	45,617	47,367	168,626	116,775	99,357	139,194	157,364
AEA flowthrough	197,481	198,450	183,003	171,748	168,724	163,182	161,511	155,888
Total expenditures	<u>5,191,684</u>	<u>4,887,416</u>	<u>5,356,193</u>	<u>5,150,043</u>	<u>4,820,870</u>	<u>4,651,135</u>	<u>4,523,342</u>	<u>4,474,557</u>

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 City/Lytton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rockwell City/Lytton Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 25, 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 City/Lytton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rockwell City/Lytton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rockwell City/Lytton Community School District's internal control over financial reporting.

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 City/Lytton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Rockwell City/Lytton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Rockwell City/Lytton Community School District and other parties to whom Rockwell City/Lytton Community School District may report, 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 City/Lytton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

April 25, 2012

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

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

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

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

Conclusion: Response accepted.

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 CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

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: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
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\$

Brad Assman, Board Member	Employee of local bank	
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Recommendation: When school board members have relationships with local banks, conflicts of interest may occur with school banking agreements and when the bank has a depositor or lender relationship with entities that also do business with the school. The board should consult with its attorney before entering into any transactions that may appear to be a conflict of interest.

District Response: We will consult with our attorney on all issues that might be a conflict of interest.

Conclusion: Response accepted.

- 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: We noted no transactions requiring Board approval that had not been approved by the Board.
- 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 to the Iowa Department of Education timely.

ROCKWELL CITY/LYTTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2011

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

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

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:

Beginning balance	\$	\$
		764,036
Revenues/transfers in:		
Statewide sales, services and use tax revenue	300,465	
Other local revenues	<u>10,527</u>	310,992
Expenditures/transfers out:		
School infrastructure construction	191,369	
Equipment	<u>66,707</u>	<u>258,076</u>
Ending balance		<u>816,952</u>

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-L Interfund loans: On October 22, 2009 the Iowa Department of Education issued a Declaratory Order covering interfund loans. The Order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loan and the loan must be repaid before the October 1, after each year-end.

We noted that the District has a loan payable to the Management Fund from the Physical Plant and Equipment Levy account that was not repaid by October 1, and has not been incurring interest.

Recommendation: The District should follow the October 22, 2009 Declaratory Order with respect to the interfund loans.

District Response: We will follow the Declaratory Order on interfund loans.

Conclusion: Response accepted.