

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2012

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Rockwell City-Lytton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2011 Election)		
Mike Sexton	President	2011
Roscoe Simpson	Vice President	2013
John Weiss	Board Member	2011
Kyle Welander	Board Member	2013
Brad Assman	Board Member	2013
(After September 2011 Election)		
Mike Sexton	President	2015
Roscoe Simpson	Vice President	2013
Ron Maulsby	Board Member	2015
Kyle Welander	Board Member	2013
Brad Assman	Board Member	2013
<u>School Officials</u>		
Jeff Kruse	Superintendent	2012
Wendi Geno	District Secretary/Treasurer	2012
Mundt, Franck & Schumacher	Attorney	2012

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of governmental activities, 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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 that 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, business type activities, each major fund, and the aggregate remaining fund information of the Rockwell City-Lytton Community School District at June 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2013 on our consideration of the 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 Governmental Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to

our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. Another auditor previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, somewhat stylized font.

NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2013

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,065,432 in fiscal 2011 to \$6,217,465 in fiscal 2012, while General Fund expenditures increased from \$4,634,817 in fiscal 2011 to \$5,688,911 in fiscal 2012. The District's General Fund balance increased from \$668,471 at June 30, 2011 to \$1,197,025 at June 30, 2012.
- The increase in General Fund revenues and expenditures was attributable to the beginning of whole grade sharing and the sharing of many other programs with Southern Cal Community School District

### **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 the School District.

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.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

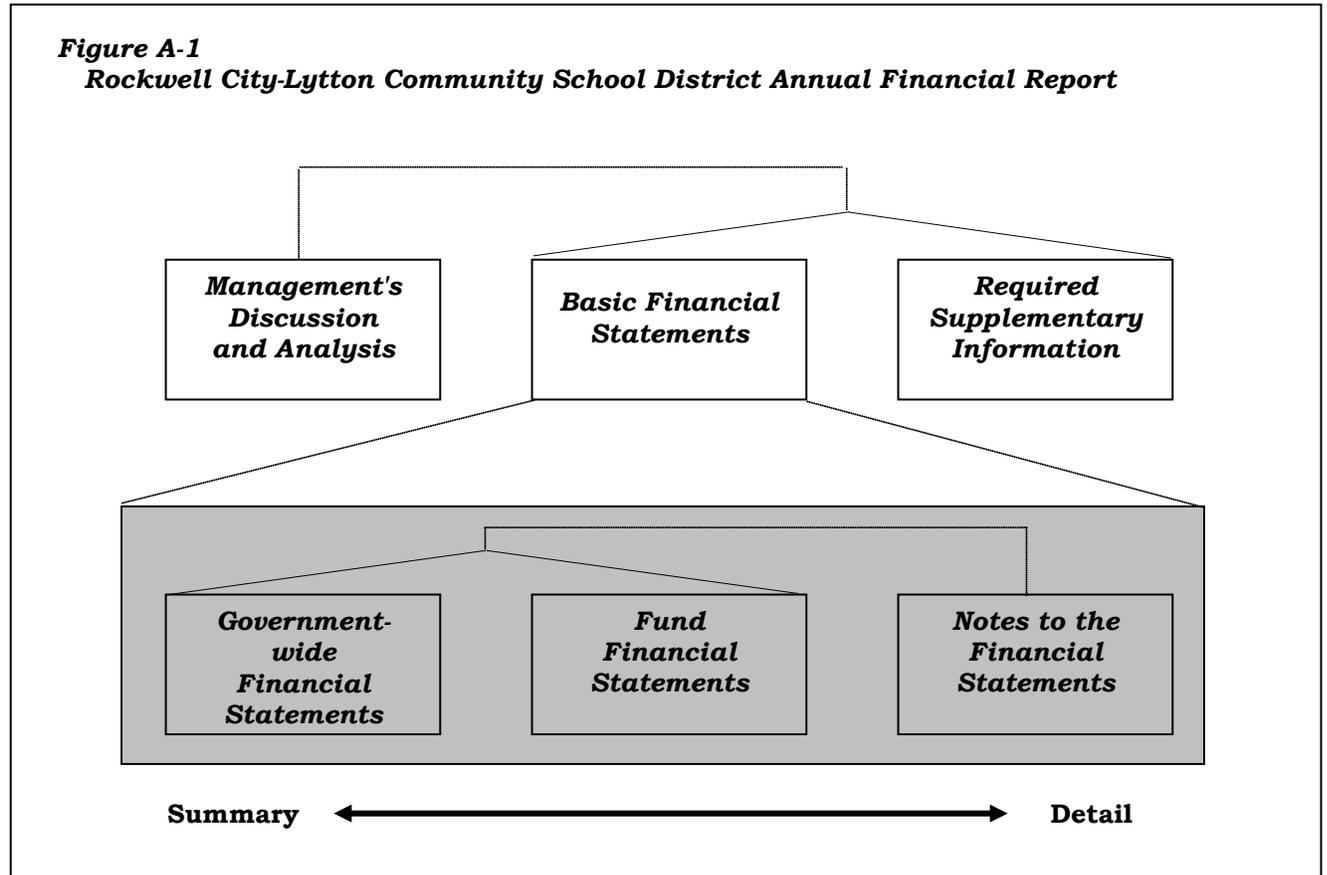


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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, and 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.

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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 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 and Capital Projects Fund.

The required financial statements for the 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 Fund, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund includes the Agency Fund.

- Agency Fund - The District administers and accounts for revenues collected and expenditures paid for other organizations.

The District is responsible for ensuring that 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, 2012 compared to June 30, 2011.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 5,419,758	4,926,898	79,292	53,956	5,499,050	4,980,854	10.40%
Capital assets	1,666,580	1,568,010	39,979	49,453	1,706,559	1,617,463	5.51%
Total assets	7,086,338	6,494,908	119,271	103,409	7,205,609	6,598,317	9.20%
Long-term liabilities	137,195	173,897	203	-	137,398	173,897	-20.99%
Other liabilities	3,010,699	3,011,026	7,387	5,413	3,018,086	3,016,439	0.05%
Total liabilities	3,147,894	3,184,923	7,590	5,413	3,155,484	3,190,336	-1.09%
Net assets:							
Invested in capital assets, net of related debt	1,666,580	1,568,010	39,979	49,453	1,706,559	1,617,463	5.51%
Restricted	1,431,539	1,487,228	-	-	1,431,539	1,487,228	-3.74%
Unrestricted	840,325	254,747	71,702	48,543	912,027	303,290	200.71%
Total net assets	\$ 3,938,444	3,309,985	111,681	97,996	4,050,125	3,407,981	18.84%

The District's combined net assets increased by 18.84%, or \$642,144, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$55,689, or 3.74% from the prior year. The decrease in restricted net assets is a result of a decrease in the categorical funding carryover balance as compared to the prior year as well as decrease in fund balance for the Capital Project Fund.

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 \$608,737, or 200.71%. The increase in unrestricted net assets was a result of the District's increase in General Fund carryover balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to June 30, 2011.

Figure A-4  
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 1,407,816	700,588	126,217	116,709	1,534,033	817,297	87.70%
Operating grants, contributions and restricted interest	337,466	813,315	136,368	120,140	473,834	933,455	-49.24%
Capital grants, contributions and restricted interest	3,900	-	-	-	3,900	-	100.00%
General revenues:							
Property tax	2,456,287	2,551,439	-	-	2,456,287	2,551,439	-3.73%
Statewide sales, services and use tax	351,184	300,465	-	-	351,184	300,465	16.88%
Unrestricted state grants	2,088,354	1,365,548	-	-	2,088,354	1,365,548	52.93%
Non specific program federal grants	91,460	-	-	-	91,460	-	100.00%
Unrestricted investment earnings	1,226	8,585	30	22	1,256	8,607	-85.41%
Other	89,397	694	566	-	89,963	694	12862.97%
Gain on sale of capital assets	-	-	-	3,325	-	3,325	-100.00%
Transfers	-	(20,561)	-	20,561	-	-	0.00%
Total revenues and transfers	6,827,090	5,720,073	263,181	260,757	7,090,271	5,980,830	18.55%
Program expenses:							
Governmental activities:							
Instruction	3,829,376	3,312,296	-	-	3,829,376	3,312,296	15.61%
Support services	1,370,939	1,458,452	18,416	-	1,389,355	1,458,452	-4.74%
Non-instructional programs	-	130	231,080	216,963	231,080	217,093	6.44%
Other expenses	998,316	369,291	-	-	998,316	369,291	170.33%
Total expenses	6,198,631	5,140,169	249,496	216,963	6,448,127	5,357,132	20.37%
Changes in net assets	628,459	579,904	13,685	43,794	642,144	623,698	2.96%
Net assets beginning of year	3,309,985	2,730,081	97,996	54,202	3,407,981	2,784,283	22.40%
Net assets end of year	\$ 3,938,444	3,309,985	111,681	97,996	4,050,125	3,407,981	18.84%

In fiscal 2012, property tax, statewide sales, services and use tax and unrestricted state grants account for 71.71% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.77% of the revenue from business type activities.

The District's total revenues were approximately \$7.09 million of which approximately \$6.83 million was for governmental activities and approximately \$0.26 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 18.55% increase in revenues and a 20.37% increase in expenses. Charges for services increased \$716,736 to help fund expenditures. The increase in expenses is related to an increase in the instructional functions.

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## Governmental Activities

Revenues for governmental activities were \$6,872,090 and expenses were \$6,198,631.

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, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 3,829,376	3,312,296	15.61%	2,529,991	2,002,857	26.32%
Support services	1,370,939	1,458,452	-6.00%	1,098,984	1,451,469	-24.28%
Non-instructional programs	-	130	-100.00%	-	130	-100.00%
Other expenses	998,316	369,291	170.33%	820,474	171,810	377.55%
Totals	<u>\$ 6,198,631</u>	<u>5,140,169</u>	<u>20.59%</u>	<u>4,449,449</u>	<u>3,626,266</u>	<u>22.70%</u>

- The cost financed by users of the District's programs was \$1,407,816.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$341,366.
- The net cost of governmental activities was financed with \$2,456,287 in property tax, \$351,184 in statewide sales, services and use tax, \$2,088,354 in unrestricted state grants, \$91,460 in nonspecific program federal grants, \$1,226 in interest income and \$89,397 in other general revenues.

## Business-Type Activities

Revenues of the District's business type activities were \$263,181 and expenses were \$249,496. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the 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 combined fund balance of \$2,409,059, which is more than last year's ending fund balances of \$1,915,872. The increase in combined fund balances is primarily a result of the increase in fund balance of the General Fund.

## Governmental Fund Highlights

- The General Fund balance increased from \$668,471 to \$1,197,025. The increase in the General Fund balance was primarily a result of the District receiving more money from all revenue sources than in the prior year.
- The Capital Projects Fund balance decreased from a balance of \$963,619 at the beginning of the fiscal year 2012 to \$909,254 at the end of fiscal 2012. This was a result of capital expenditures in excess of property tax and statewide sales, services and use tax revenues.

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## Proprietary Fund Highlights

- The School Nutrition Fund net assets increased from \$97,996 at June 30, 2011 to \$111,681 at June 30, 2012, representing an increase of 13.96%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$354,259 less than budgeted revenues, a variance of 4.76%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

In spite of this budget amendment, expenditures in the other expenditures functional area exceeded amount budgeted.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the District had invested \$1,706,559, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 2.38% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$1,665,679.

The original cost of the District's capital assets was \$6,841,082. Governmental funds account for \$6,748,278 with the remainder of \$92,804 in the Proprietary, School Nutrition Funds.

The largest monetary change in capital asset activity during the year occurred in the land improvement category. The District's land improvements totaled \$267,815 at June 30, 2011, compared to \$385,006 reported at June 30, 2012. This increase resulted from the completion of the track project during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	2012	2011	2012	2011	2012	2011	
Land	\$ 92,000	92,000	-	-	92,000	92,000	0.00%
Construction in progress	80,254	126,805	-	-	80,254	126,805	-36.71%
Buildings	857,297	816,185	-	-	857,297	816,185	5.04%
Land improvements	385,006	267,815	-	-	385,006	267,815	43.76%
Machinery and equipment	252,023	265,205	39,979	49,453	292,002	314,658	-7.20%
Total	\$ 1,666,580	1,568,010	39,979	49,453	1,706,559	1,617,463	5.51%

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## Long-Term Debt

At year-end, the District had \$137,398 in long-term debt outstanding. This represents a decrease of approximately 20.99% percent from last year.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Early Retirement	\$ 106,341	134,482	-	-	106,341	134,482	-20.93%
Compensated absences	10,329	25,050	-	-	10,329	25,050	-58.77%
Net OPEB liability	20,525	14,365	203	-	20,728	14,365	44.30%
Totals	\$ 137,195	173,897	203	-	137,398	173,897	-20.99%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- On July 1, 2012, the IPERS increase to 8.67% will increase the Rockwell City-Lytton Community Schools employer benefit costs during fiscal 2013. An additional increase to 8.93% is anticipated for FY14.
- On February 5, 2013, the District and the Southern Cal Community School District held a public vote for consolidation of the two districts. Residents of the District passed a resolution to merge with Southern Cal Community School District on a 79.06% vote. Residents of the Southern Cal Community School District passed a resolution to merge with the District on a 79.81% vote. The two districts will be officially consolidated as of July 1, 2014.

## 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 Jeff Kruse, Superintendent, Rockwell City-Lytton Community School District, 1000 Tonawanda, Rockwell City, Iowa, 50579.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT

# **Basic Financial Statements**

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,639,031	76,093	2,715,124
Receivables:			
Property tax:			
Delinquent	30,086	-	30,086
Succeeding year	2,328,577	-	2,328,577
Accounts	652	-	652
Due from other governments	421,412	-	421,412
Inventories	-	3,199	3,199
Capital assets, net of accumulated depreciation	1,666,580	39,979	1,706,559
<b>TOTAL ASSETS</b>	<b>7,086,338</b>	<b>119,271</b>	<b>7,205,609</b>
<b>LIABILITIES</b>			
Accounts payable	214,744	-	214,744
Salaries and benefits payable	467,378	4,240	471,618
Deferred revenue:			
Succeeding year property tax	2,328,577	-	2,328,577
Unearned revenue	-	3,147	3,147
Long-term liabilities:			
Portion due within one year:			
Early retirement	24,420	-	24,420
Compensated absences	10,329	-	10,329
Portion due after one year:			
Early retirement	81,921	-	81,921
Net OPEB liability	20,525	203	20,728
<b>TOTAL LIABILITIES</b>	<b>3,147,894</b>	<b>7,590</b>	<b>3,155,484</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,666,580	39,979	1,706,559
Restricted for:			
Categorical funding	325,846	-	325,846
School infrastructure	761,876	-	761,876
Physical plant and equipment	147,378	-	147,378
Management levy purposes	193,119	-	193,119
Student activities	3,320	-	3,320
Unrestricted	840,325	71,702	912,027
<b>TOTAL NET ASSETS</b>	<b>\$ 3,938,444</b>	<b>111,681</b>	<b>4,050,125</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2012**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 2,871,651	951,405	49,060	-	(1,871,186)	-	(1,871,186)
Special	498,417	179,727	24,020	-	(294,670)	-	(294,670)
Other	459,308	10,947	84,226	-	(364,135)	-	(364,135)
	<u>3,829,376</u>	<u>1,142,079</u>	<u>157,306</u>	<u>-</u>	<u>(2,529,991)</u>	<u>-</u>	<u>(2,529,991)</u>
Support services:							
Student	103,640	5,870	-	-	(97,770)	-	(97,770)
Instructional staff	20,008	42,675	-	-	22,667	-	22,667
Administration	748,825	194,128	-	-	(554,697)	-	(554,697)
Operation and maintenance of plant	263,375	11,532	-	3,900	(247,943)	-	(247,943)
Transportation	235,091	11,532	2,318	-	(221,241)	-	(221,241)
	<u>1,370,939</u>	<u>265,737</u>	<u>2,318</u>	<u>3,900</u>	<u>(1,098,984)</u>	<u>-</u>	<u>(1,098,984)</u>
Other expenses:							
AEA flowthrough	177,842	-	177,842	-	-	-	-
Depreciation(unallocated)*	820,474	-	-	-	(820,474)	-	(820,474)
	<u>998,316</u>	<u>-</u>	<u>177,842</u>	<u>-</u>	<u>(820,474)</u>	<u>-</u>	<u>(820,474)</u>
Total governmental activities	<u>6,198,631</u>	<u>1,407,816</u>	<u>337,466</u>	<u>3,900</u>	<u>(4,449,449)</u>	<u>-</u>	<u>(4,449,449)</u>
Business type activities:							
Support services:							
Administration	18,047	-	-	-	-	(18,047)	(18,047)
Operation and maintenance of plant	369	-	-	-	-	(369)	(369)
Total support services	<u>18,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,416)</u>	<u>(18,416)</u>
Non-instructional programs:							
Food service operations	231,080	126,217	136,368	-	-	31,505	31,505
Total business type activities	<u>249,496</u>	<u>126,217</u>	<u>136,368</u>	<u>-</u>	<u>-</u>	<u>13,089</u>	<u>13,089</u>
Total primary government	<u>\$ 6,448,127</u>	<u>1,534,033</u>	<u>473,834</u>	<u>3,900</u>	<u>(4,449,449)</u>	<u>13,089</u>	<u>(4,436,360)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 2,391,685	-	2,391,685
Capital outlay					64,602	-	64,602
Statewide sales, services and use tax					351,184	-	351,184
Unrestricted state grants					2,088,354	-	2,088,354
Nonspecific program federal grants					91,460	-	91,460
Unrestricted investment earnings					1,226	30	1,256
Other general revenues					89,397	566	89,963
Total general revenues					<u>5,077,908</u>	<u>596</u>	<u>5,078,504</u>
Changes in net assets					628,459	13,685	642,144
Net assets beginning of year					<u>3,309,985</u>	<u>97,996</u>	<u>3,407,981</u>
Net assets end of year					<u>\$ 3,938,444</u>	<u>111,681</u>	<u>4,050,125</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General	Capital Projects	Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,514,854	823,233	300,944	2,639,031
Receivables:				
Property tax				
Delinquent	27,459	791	1,836	30,086
Succeeding year	2,164,358	64,219	100,000	2,328,577
Accounts	652	-	-	652
Due from other governments	283,958	137,454	-	421,412
<b>TOTAL ASSETS</b>	<b>\$ 3,991,281</b>	<b>1,025,697</b>	<b>402,780</b>	<b>5,419,758</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 162,520	52,224	-	214,744
Salaries and benefits payable	467,378	-	-	467,378
Deferred revenue:				
Succeeding year property tax	2,164,358	64,219	100,000	2,328,577
Total liabilities	2,794,256	116,443	100,000	3,010,699
Fund balances:				
Restricted for:				
Categorical funding	325,846	-	-	325,846
School infrastructure	-	761,876	-	761,876
Physical plant and equipment	-	147,378	-	147,378
Management levy purposes	-	-	299,460	299,460
Student activities	-	-	3,320	3,320
Assigned for operational sharing	168,588	-	-	168,588
Unassigned	702,591	-	-	702,591
Total fund balances	1,197,025	909,254	302,780	2,409,059
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,991,281</b>	<b>1,025,697</b>	<b>402,780</b>	<b>5,419,758</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012

<b>Total fund balances of governmental funds(page 20)</b>	\$	2,409,059
<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 in the governmental funds.		1,666,580
Long-term liabilities, including early retirement benefits payable, compensated absences and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds		<u>(137,195)</u>
<b>Net assets of governmental activities(page 18)</b>	\$	<u><u>3,938,444</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,241,746	415,786	149,939	2,807,471
Tuition	887,665	-	-	887,665
Other	574,006	27,275	19,631	620,912
State sources	2,307,934	36	84	2,308,054
Federal sources	202,988	-	-	202,988
Total revenues	<u>6,214,339</u>	<u>443,097</u>	<u>169,654</u>	<u>6,827,090</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,968,522	-	-	2,968,522
Special	573,244	-	-	573,244
Other	457,841	-	72,759	530,600
	<u>3,999,607</u>	<u>-</u>	<u>72,759</u>	<u>4,072,366</u>
Support services:				
Student	179,012	-	-	179,012
Instructional staff	93,114	600	-	93,714
Administration	768,263	18,971	43,740	830,974
Operation and maintenance of plant	270,089	45,270	26,781	342,140
Transportation	200,984	97,896	7,376	306,256
	<u>1,511,462</u>	<u>162,737</u>	<u>77,897</u>	<u>1,752,096</u>
Capital outlay	-	334,725	-	334,725
Other expenditures:				
AEA flowthrough	177,842	-	-	177,842
Total expenditures	<u>5,688,911</u>	<u>497,462</u>	<u>150,656</u>	<u>6,337,029</u>
Excess(Deficiency) of revenues over(under) expenditures	525,428	(54,365)	18,998	490,061
Other financing sources:				
Sale of capital assets	3,126	-	-	3,126
Net change in fund balances	528,554	(54,365)	18,998	493,187
Fund balances beginning of year	668,471	963,619	283,782	1,915,872
Fund balances end of year	<u>\$ 1,197,025</u>	<u>909,254</u>	<u>302,780</u>	<u>2,409,059</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, 2012

**Net change in fund balances - total governmental funds(page 22)** \$ 493,187

*Amounts reported for governmental activities in the  
Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, depreciation expense, and loss on disposal in the current year are as follows:

Capital outlays	\$ 1,842,824	
Depreciation expense	(1,651,997)	
Loss on disposal	(92,257)	
		98,570

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.

Early retirement	28,141	
Compensated absences	14,721	
Other postemployment benefits	(6,160)	
		36,702

**Changes in net assets of governmental activities(page 19)** \$ 628,459

SEE NOTES TO FINANCIAL STATEMENTS.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012

	School Nutrition
<u>ASSETS</u>	
Current assets:	
Cash and pooled investments	\$ 76,093
Inventories	3,199
Capital assets, net of accumulated depreciation	39,979
TOTAL ASSETS	\$ 119,271
<u>LIABILITIES</u>	
Salaries and benefits payable	\$ 4,240
Unearned revenue	3,147
Net OPEB liability	203
TOTAL LIABILITIES	7,590
<u>NET ASSETS</u>	
Invested in capital assets	39,979
Unrestricted	71,702
Total net assets	\$ 111,681

SEE NOTES TO FINANCIAL STATEMENTS.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 126,217
Miscellaneous	566
TOTAL OPERATING REVENUES	126,783
OPERATING EXPENSES:	
Support services:	
Administration:	
Salaries	13,438
Benefits	4,609
	18,047
Operation and maintenance of plant:	
Services	369
Total support services	18,416
Non-instructional programs:	
Food service operations:	
Salaries	83,506
Benefits	18,661
Services	319
Supplies	114,912
Depreciation	13,682
	231,080
TOTAL OPERATING EXPENSES	249,496
OPERATING LOSS	(122,713)
NON-OPERATING REVENUES:	
State sources	2,410
Federal sources	133,958
Interest on investments	30
TOTAL NON-OPERATING REVENUES	136,398
Change in net assets	13,685
Net assets beginning of year	97,996
Net assets end of year	\$ 111,681

SEE NOTES TO FINANCIAL STATEMENTS.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 126,626
Cash received from miscellaneous operating activities	566
Cash payments to employees for services	(118,398)
Cash payments to suppliers for goods or services	(99,953)
Net cash used in operating activities	(91,159)
Cash flows from non-capital financing activities:	
State grants received	2,410
Federal grants received	118,152
Net cash provided by non-capital financing activities	120,562
Cash flows from investing activities:	
Interest on investments	30
Cash flows from capital financing activities:	
Purchase of assets	(4,208)
Net increase in cash and cash equivalents	25,225
Cash and cash equivalents at beginning of year	50,868
Cash and cash equivalents at end of year	\$ 76,093
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (122,713)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	15,806
Depreciation	13,682
Increase in inventories	(159)
Decrease in accounts receivable	48
Increase in salaries and benefits payable	1,613
Increase in unearned revenue	361
Increase in other postemployment benefits	203
Net cash used in operating activities	\$ (91,159)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$15,806.

SEE NOTES TO FINANCIAL STATEMENTS.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**Note 1. Summary of Significant Accounting Policies**

The 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 sixth. The geographic area served includes the Cities of Rockwell City and Lytton, Iowa, and the predominate 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 Government 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 do 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 Sac and Calhoun County Assessors' 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 activities of the District, with omission of the fiduciary funds. 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 the following categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation/ammortization 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 that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that are 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 other 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 receipts that are 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 expenses, 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 also reports the following non-major proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund includes 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.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, 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 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 - restricted 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 Balances

Cash, Pooled Investments and Cash Equivalents - The cash balance 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, they have a maturity date no longer than three months.

Property Tax Receivable - Property taxes in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

Inventories - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The Enterprise Fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

Capital Assets - Capital assets, which include property, machinery, 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 repairs 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.

Asset Class	Amount
Land	\$ 3,500
Buildings	3,500
Land improvements	3,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	3-10 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2012, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2012.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents 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 revenues consist of unspent federal grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition 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.

Assigned - Amounts the Board intends to use for specific purposes.

Unassigned - All amounts not included in other spendable 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 imposed by law through constitutional provisions or enabling legislation.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Budgeting and Budgetary Control - The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012 expenditures in the other expenditures functional area exceeded the budgeted amount.

## **Note 2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,682,598 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were both rated AAA by Standard & Poor's Financial Services.

### Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2012 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	157,262	203,813	80,254
Total capital assets not being depreciated	<u>218,805</u>	<u>157,262</u>	<u>203,813</u>	<u>172,254</u>
Capital assets being depreciated:				
Buildings	2,719,046	818,175	-	3,537,221
Land improvements	2,572,451	252,859	1,787,295	1,038,015
Machinery and equipment	1,182,447	818,341	-	2,000,788
Total capital assets being depreciated	<u>6,473,944</u>	<u>1,889,375</u>	<u>1,787,295</u>	<u>6,576,024</u>
Less accumulated depreciation for:				
Buildings	1,902,861	777,063	-	2,679,924
Land improvements	2,304,636	43,411	1,695,038	653,009
Machinery and equipment	917,242	831,523	-	1,748,765
Total accumulated depreciation	<u>5,124,739</u>	<u>1,651,997</u>	<u>1,695,038</u>	<u>5,081,698</u>
Total capital assets being depreciated, net	<u>1,349,205</u>	<u>237,378</u>	<u>(92,257)</u>	<u>1,494,326</u>
Governmental activities capital assets, net	<u>\$ 1,568,010</u>	<u>394,640</u>	<u>111,556</u>	<u>1,666,580</u>
Business type activities:				
Machinery and equipment	\$ 92,858	4,208	4,262	92,804
Less accumulated depreciation	43,405	13,682	4,262	52,825
Total accumulated depreciation	<u>\$ 49,453</u>	<u>(9,474)</u>	<u>-</u>	<u>39,979</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 8,957
Other	245,065
Support services:	
Instructional staff	186,197
Administration	3,732
Operation and maintenance of plant	51,168
Transportation	<u>336,404</u>
	831,523
Unallocated depreciation	<u>820,474</u>
Total governmental activities depreciation expense	<u>\$ 1,651,997</u>
Business type activities:	
Food services	<u>\$ 13,682</u>

#### **Note 4. Long-Term Debt**

A summary of changes in long-term debt for business type activities and governmental activities for the year ended June 30, 2012 are as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b><u>Governmental Activities:</u></b>					
Early Retirement	\$ 134,482	-	28,141	106,341	24,420
Compensated absences	25,050	10,329	25,050	10,329	10,329
Net OPEB Liability	14,365	6,160	-	20,525	-
Total	<u>\$ 173,897</u>	<u>16,489</u>	<u>53,191</u>	<u>137,195</u>	<u>34,749</u>
<b><u>Business Type Activities:</u></b>					
Net OPEB Liability	\$ -	203	-	203	-

#### **Early Retirement**

During the fiscal 2009 and 2011 years the District offers a voluntary early retirement plan to its certified employees and support staff. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

For retirees at the end of the 2009 fiscal year the early retirement benefit for each retiree was a one-time cash payment of \$10,000, \$25 for each unused sick day and the District contributes \$491 per month to that employee's health insurance premiums until the time they reach 65 years of age. For the retiree at the end of the 2011 fiscal year the early retirement benefit for each retiree was a one-time cash payment of \$10,000, \$25 for each unused sick day and the District contributes \$562 per month to that employee's health insurance premiums until the time they reach 65 years of age.

At June 30, 2012, the District has obligations to four participants with a total liability of \$106,341. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$28,141. The cost of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

#### **Note 5. 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 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through ISEBA. 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, 2012, 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>14,365</u>
Net OPEB obligation end of year	<u><u>\$ 20,728</u></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, 2012.

For the year ended June 30, 2012, the District contributed \$6,788 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% 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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 13,319	39.92 %	\$ 8,002
2011	13,151	51.62	14,365
2012	13,151	51.62	20,728

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$1,209,207, and the ratio of the UAAL to covered payroll was 9.45%. As of June 30, 2012, 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 6.0%.

Mortality rates are from the Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

#### **Note 6. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$226,518, \$186,197 and \$180,620 respectively, equal to the required contributions for each year.

#### **Note 7. Risk Management**

The District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: dental and long-term disability. District contributions to ISEBA for the year ended June 30, 2012 were \$271,967.

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

#### **Note 8. 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 \$177,842 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **Note 9. Budget Overexpenditure**

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2012, expenditures in the other expenditures functional area exceeded the certified budget.

#### **Note 10. Construction Commitment**

The District has entered into a contract totaling \$301,545 for renovations at the elementary school. As of June 30, 2012, costs of \$52,224 had been incurred against the contracts. The balance of \$249,321 remaining at June 30, 2012 will be paid as work on the project progresses.

**Note 11. Categorical Funding**

The District's restricted balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Statewide voluntary preschool	\$ 23,900
At-Risk supplemental weighting	20,443
Dropout and dropout prevention	184,648
Market factor	2,910
Professional development for model core curriculum	27,538
Professional development	17,995
Extended school year grants	377
Market factor incentives	4,148
Child development	43,887
Total	<u>\$ 325,846</u>

## **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, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,316,048	126,813	4,442,861	4,512,729	4,512,729	(69,868)
State sources	2,308,054	2,410	2,310,464	2,636,801	2,636,801	(326,337)
Federal sources	202,988	133,958	336,946	295,000	295,000	41,946
Total revenues	<u>6,827,090</u>	<u>263,181</u>	<u>7,090,271</u>	<u>7,444,530</u>	<u>7,444,530</u>	<u>(354,259)</u>
Expenditures/Expenses:						
Instruction	4,072,366	-	4,072,366	5,199,462	5,199,462	1,127,096
Support services	1,752,096	18,416	1,770,512	3,660,556	3,660,556	1,890,044
Non-instructional programs	-	231,080	231,080	245,392	245,392	14,312
Other expenditures	512,567	-	512,567	361,451	361,451	(151,116)
Total expenditures/expenses	<u>6,337,029</u>	<u>249,496</u>	<u>6,586,525</u>	<u>9,466,861</u>	<u>9,466,861</u>	<u>2,880,336</u>
Excess of revenues over expenditures/expenses	490,061	13,685	503,746	(2,022,331)	(2,022,331)	2,526,077
Other financing sources, net	3,126	-	3,126	5,000	5,000	(1,874)
Excess of revenues and other financing sources over expenditures/ expenses	493,187	13,685	506,872	(2,017,331)	(2,017,331)	2,524,203
Balances beginning of year	1,915,872	97,996	2,013,868	2,017,331	2,017,331	(3,463)
Balances end of year	<u>\$ 2,409,059</u>	<u>111,681</u>	<u>2,520,740</u>	-	-	<u>2,520,740</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards 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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, the expenditures in the other expenditures functional area exceeded the certified budget.

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	0.00	% \$ 1,066,000	11.46 %
2011	July 1, 2009	-	114,274	114,274	0.00	1,197,000	9.55
2012	July 1, 2009	-	114,274	114,274	0.00	1,209,207	9.45

See Note 5 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## **Supplementary Information**

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	Special Revenue		
	Management Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 297,624	3,320	300,944
Receivables:			
Property tax:			
Delinquent	1,836	-	1,836
Succeeding year	100,000	-	100,000
<b>TOTAL ASSETS</b>	<b>\$ 399,460</b>	<b>3,320</b>	<b>402,780</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 100,000	-	100,000
Fund balances:			
Restricted for:			
Management levy purposes	299,460	-	299,460
Student activities	-	3,320	3,320
Total fund balances	299,460	3,320	302,780
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 399,460</b>	<b>3,320</b>	<b>402,780</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 149,939	-	149,939
Other	9,554	10,077	19,631
State sources	84	-	84
TOTAL REVENUES	<u>159,577</u>	<u>10,077</u>	<u>169,654</u>
EXPENDITURES:			
Current:			
Instruction			
Other	-	72,759	72,759
Support services:			
Administration	43,740	-	43,740
Operation and maintenance of plant	26,781	-	26,781
Transportation	7,376	-	7,376
TOTAL EXPENDITURES	<u>77,897</u>	<u>72,759</u>	<u>150,656</u>
Net change in fund balances	81,680	(62,682)	18,998
Fund balances beginning of year	<u>217,780</u>	<u>66,002</u>	<u>283,782</u>
Fund balances end of year	<u>\$ 299,460</u>	<u>3,320</u>	<u>302,780</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 676,646	146,587	823,233
Receivables:			
Property tax:			
Delinquent	-	791	791
Succeeding year	-	64,219	64,219
Due from other governments	137,454	-	137,454
<b>TOTAL ASSETS</b>	<b>\$ 814,100</b>	<b>211,597</b>	<b>1,025,697</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 52,224	-	52,224
Deferred revenue			
Succeeding year property tax	-	64,219	64,219
Total liabilities	52,224	64,219	116,443
Fund balances:			
Restricted for:			
School infrastructure	761,876	-	761,876
Physical plant and equipment	-	147,378	147,378
Total fund balances	761,876	147,378	909,254
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 814,100</b>	<b>211,597</b>	<b>1,025,697</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 351,184	64,602	415,786
Other	4,271	23,004	27,275
State sources	-	36	36
<b>TOTAL REVENUES</b>	<b>355,455</b>	<b>87,642</b>	<b>443,097</b>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	600	-	600
Administration	18,971	-	18,971
Operation and maintenance of plant	45,270	-	45,270
Transportation	24,423	73,473	97,896
Capital outlay	321,267	13,458	334,725
<b>TOTAL EXPENDITURES</b>	<b>410,531</b>	<b>86,931</b>	<b>497,462</b>
Net change in fund balances	(55,076)	711	(54,365)
Fund balances beginning of year	816,952	146,667	963,619
Fund balances end of year	\$ 761,876	147,378	909,254

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 6,642	9,255	15,897	-
Drama	1,454	-	1,454	-
Musical	1,442	-	1,442	-
Band	146	-	146	-
Band uniforms	75	-	75	-
Band trip	2,526	-	2,526	-
Chorus	142	-	142	-
Cheerleaders - basketball	1,186	-	1,186	-
Cheerleaders - wrestling	401	-	401	-
Cheerleaders - football	494	-	494	-
Drill team	86	-	86	-
Boys basketball	2,611	-	2,611	-
Football	120	-	120	-
Varsity gold football	2,238	-	2,238	-
Volleyball	843	-	843	-
Class of 2012	3,552	-	3,552	-
Class of 2013	961	-	961	-
Class of 2014	290	-	290	-
FFA	23,435	145	20,305	3,275
FCCLA	97	-	97	-
Academic society	1	-	1	-
Yearbook	669	316	985	-
Art Club	299	-	299	-
Student council	101	-	101	-
FFA savings	970	7	977	-
Investments	2,116	52	2,123	45
MS athletics	11,599	-	11,599	-
MS music	327	-	327	-
MS yearbook	1,038	35	1,073	-
MS student council	135	23	158	-
Elementary student council	6	244	250	-
<b>TOTALS</b>	<b>\$ 66,002</b>	<b>10,077</b>	<b>72,759</b>	<b>3,320</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITES  
AGENCY FUND  
YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 914	63	977	-
LIABILITIES				
Due to other groups	\$ 914	63	977	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 2,807,471	2,851,543	2,603,793	2,252,796	1,964,807	1,992,488	1,687,508	1,564,352	1,769,943
Tuition	887,665	299,705	265,388	241,541	283,393	223,674	210,691	128,190	149,258
Other	620,912	409,829	421,742	331,071	286,213	317,819	402,903	319,369	306,494
Intermediate sources	-	-	-	-	-	-	-	1,404	-
State sources	2,308,054	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	202,988	198,542	412,807	166,721	147,238	146,545	155,607	164,269	140,762
<b>Total</b>	<b>\$ 6,827,090</b>	<b>5,739,940</b>	<b>5,662,643</b>	<b>5,380,153</b>	<b>4,872,131</b>	<b>4,877,399</b>	<b>4,618,613</b>	<b>4,364,502</b>	<b>4,202,061</b>
Expenditures:									
Instruction:									
Regular	\$ 2,968,522	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	573,244	482,808	482,257	561,012	553,393	454,385	483,038	431,196	476,273
Other	530,600	614,059	816,995	839,233	603,167	570,574	615,451	593,906	509,610
Support services:									
Student	179,012	119,342	51,646	52,991	160,507	165,587	143,896	138,557	156,799
Instructional staff	93,714	101,971	107,498	102,894	114,508	124,663	131,507	119,087	123,173
Administration	830,974	657,881	604,972	618,598	581,393	516,578	550,555	537,626	514,024
Operation and maintenance of plant	342,140	368,216	328,921	403,425	451,085	388,332	382,870	332,561	326,541
Transportation	306,256	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
Capital outlay	334,725	220,706	45,617	47,367	168,626	116,775	99,357	139,194	157,364
Other expenditures:									
AEA flow-through	177,842	197,481	198,450	183,003	171,748	168,724	163,182	161,511	155,888
<b>Total</b>	<b>\$ 6,337,029</b>	<b>5,191,684</b>	<b>4,887,416</b>	<b>5,356,193</b>	<b>5,150,043</b>	<b>4,820,870</b>	<b>4,651,135</b>	<b>4,523,342</b>	<b>4,474,557</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
117 West 3rd Street North, Newton, Iowa 50208-3040  
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Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 12, 2013. 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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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 on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item I-B-12 to be a significant deficiency.

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.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 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. 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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2013

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person. Also vouchers are processed, disbursements are recorded and checks are prepared by the same person. We also noted that one individual has the ability to modify pay rates, process the payroll and generate payroll checks and direct deposits.

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

Response - The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-12 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - The district will do a better job of having non-certified coaches track their hours.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - District expenditures for the year ended June 30, 2012 exceeded the certified amounts in the other expenditures functional area.

Recommendation - In the future the certified budget should be amended to an amount greater than expenditures in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The expenditures related to the elementary remodel were not accounted for when estimating the "other expenditures" and therefore the budget had not been amended. In the future the district will keep a better eye on budget areas and amend when needed.

Conclusion - Response accepted.

- II-B-12 Questionable Disbursements - We noted no expenditures that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-12 Travel Expense - 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.
- II-D-12 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.
- II-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	816,952
Revenues:			
Sales tax revenues	\$	351,184	
Other local revenues		4,271	355,455
		<u>          </u>	<u>1,172,407</u>
Expenditures:			
School infrastructure construction		306,494	
Equipment		85,791	
Other		18,246	410,531
		<u>          </u>	<u>410,531</u>
Ending balance		\$	<u><u>761,876</u></u>

For the year ended June 30, 2012 the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

II-M-12 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District will have employees and subs sign a consent letter which will allow the district to mail out the individuals payroll check.

Conclusion - Response accepted.