

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Roland-Story Community School District, Story City, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. Except as explained in the following paragraph. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The financial statements of Roland-Story Community School District Foundation have not been audited, and we were not engaged to audit the Foundation financial statements as part of our audit of the Roland-Story Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Foundation's financial statements and because we did not apply any auditing procedures to the Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Roland-Story Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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 4 through 13 and 39 through 41 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 financial reporting for placing the basic financial statements in an appropriate operation, 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Roland-Story Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2014 on our consideration of Roland-Story Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Roland-Story Community School District's internal control over financial reporting and compliance.

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

March 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Roland-Story Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2013. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

2013 FINANCIAL HIGHLIGHTS

- The General Fund ending fund balance increased from \$1,764,273 in Fiscal Year 2012 to \$2,192,997. This increase of \$428,724 can be attributed to the district making a very direct effort towards conserving heat and electricity, along with a review of busing policy for athletic events. In addition to these items the District cash reserved for the difference of the expenses and revenues, due to continued declining enrollment. The district felt it was prudent to start the year with this type of a balance due to the fact that with the decline in students in the two previous years of a total of 45.96 students and not qualifying for the budget guarantee we would be getting \$270,383 less in funds from the previous year. Also knowing that there would be increased costs in almost every expense area. It should be noted that \$105,390 of this ending fund balance was reserved for categorical funding.
- The District had seven early retirements on June 30, 2012 which also contributed to lowering some of the salary costs to the general fund for Fiscal Year 2012-2013.
- The District is in the final year of payments for the sales tax revenue bonds, with the final payment planned for July 1, 2013. In preparation of this final payment the District has been working on a long-range plan for facilities and site management.

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 Position and a Statement of Activities. These provide information about the activities of Roland-Story Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Roland-Story Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds

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

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

Other Supplementary Information provides detailed information about the non-major funds.

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

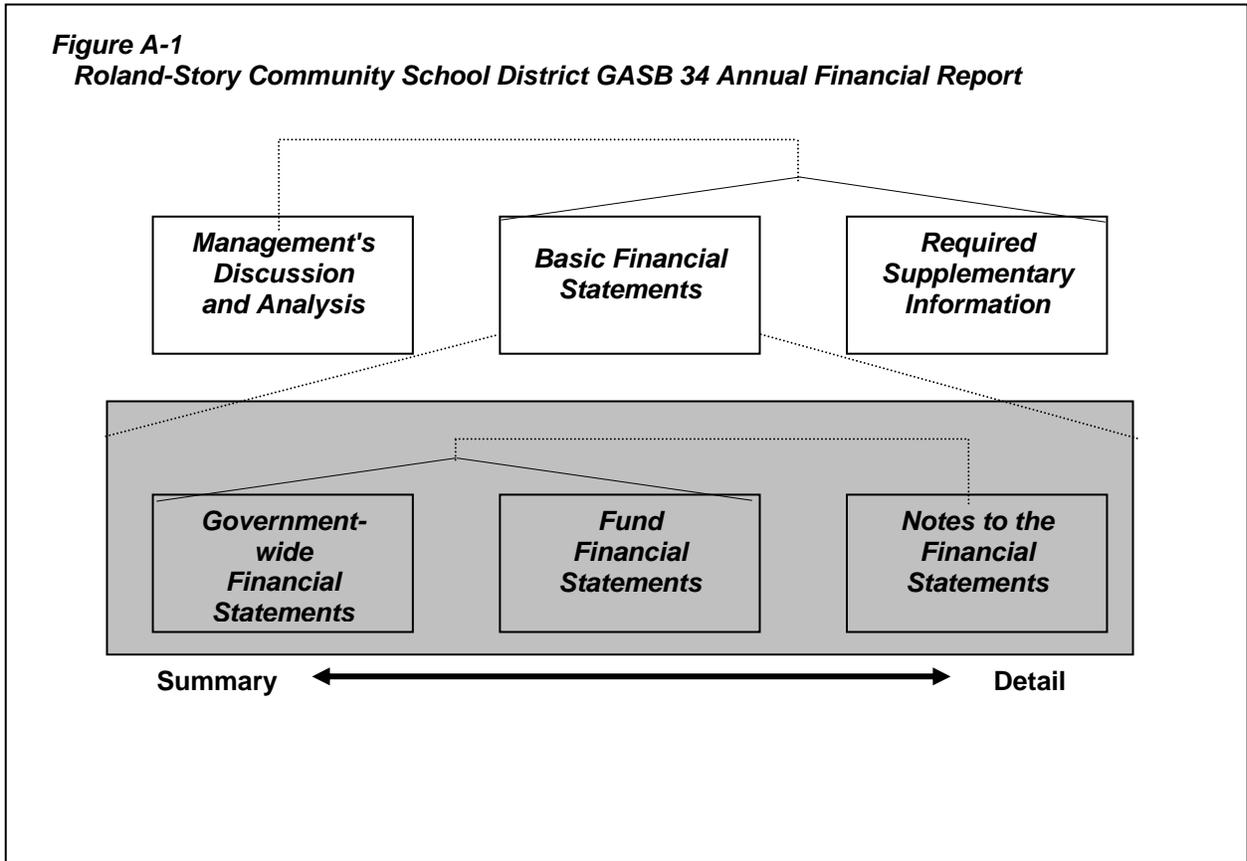


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2013.

Figure A-3

	Condensed Statement of Net Position (in thousands of dollars)						Percentage Change 2012-2013
	Governmental Activities		Business-type Activities		Total School District		
	2012	2013	2012	2013	2012	2013	
	\$	\$	\$	\$	\$	\$	
Current and other assets	8,936	9,769	11	(7)	8,947	9,762	9.11%
Capital assets	11,619	11,417	5	18	11,624	11,435	(1.63)%
Total assets	20,555	21,186	16	11	20,571	21,197	3.04%
Long-term liabilities	1,620	959	11	1	1,631	960	(41.14)%
Other liabilities	4,147	4,097	1	12	4,148	4,109	.94%
Total liabilities	5,767	5,056	12	13	5,779	5,069	(12.28)%
Net Assets:							
Net Investment in capital assets	10,214	10,702	5	18	10,219	10,720	4.90%
Restricted	2,675	2,947	-	-	2,675	2,947	10.17%
Unrestricted	1,899	2,482	0	(20)	1,899	2,462	29.65%
TOTAL NET POSITION	14,788	16,131	5	(2)	14,793	16,129	9.03%

The increase in current and other assets of 9.11% can be contributed to the District's planning for the upcoming year. Knowing that the District would get a minimal amount of new money from the State the District cash reserved, so that an adequate amount of funds would be available for cash flow purposes.

The decrease in district long-term liability of 41.14% can be contributed to the planning strategies of the district. The District has used the funds generated from the Physical Plant and Equipment Levy and the Local Option Sales and Service tax to maintain the buildings and purchase necessary equipment over the last several years. That coupled with the declining enrollment the board has been able to provide the necessary space in its facilities and the equipment without needing to borrow against sales tax or to incur any debt with General Obligation Bonds. The District will make its final payment on the Sales Tax Revenue Bonds July 1, 2013.

Unrestricted net position decreased this year 22.83% or \$562,000. Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. The District in the previous year had cash reserved knowing that in fiscal year 2012-2013 these funds would be used to help with these day-to-day expenses due to the large decline in students over the last two years. With state funding coming a year behind 2012-2013 would be the year that this decline would most impact the district's funding for general operations.

Figure A-4 shows the change in net position for the years ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4

	Change in Net Position						Percentage Change 2012-2013
	Governmental Activities		Business-type Activities		Total School District		
	2012	2013	2012	2013	2012	2013	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	1,114,376	1,152,728	309,157	319,796	1,423,533	1,472,524	3.44%
Operating grants, contributions and restricted interest	1,494,197	1,326,152	150,217	170,775	1,644,414	1,496,927	(8.97)%
Capital grants, contributions and restricted interest	10,423	18,773	-	-	10,423	18,773	80.11%
General Revenues:							
Property taxes	3,994,363	3,946,815	-	-	3,994,363	3,946,815	(1.19)%
Income Surtax	448,429	478,545	-	-	448,429	478,545	6.71%
Local option sales tax	1,053,628	1,043,760	-	-	1,053,628	1,043,760	(.93)%
Unrestricted state grants	3,927,497	3,883,967	-	-	3,927,497	3,883,967	(1.11)%
Unrestricted investment earnings	12,644	12,269	6	2	12,650	12,271	(2.99)%
Other revenue	11,205	21,172	-	-	11,205	21,172	88.95%

Total Revenues	12,066,762	11,884,181	459,380	490,573	12,526,142	12,374,754	(1.21)%
Expenses:							
Instruction	7,547,521	6,919,831	-	-	7,547,521	6,919,831	(8.31)%
Support services	2,513,517	2,560,225	-	-	2,513,517	2,560,225	1.86%
Non-instructional programs	0	13,591	483,723	513,399	483,723	526,990	8.94%
Other expenditures	820,494	1,047,283	-	-	820,494	1,047,283	27.64%
Total expenses	10,881,532	10,540,930	483,723	513,399	11,365,255	11,054,329	(2.73)%
Change in net position before Transfers	1,185,230	1,343,251	(24,343)	(22,826)	1,160,887	1,320,425	13.74%
Capital contribution	-20,000	-	20,000	15,843	-	15,843	100%
CHANGE IN NET POSITION	1,165,230	1,343,251	(4,343)	(6,983)	1,160,887	1,336,268	15.11%
Net position beginning of year	13,622,343	14,787,573	9,198	4,855	13,631,541	14,792,428	8.51%
Net position end of year	14,787,573	16,130,824	4,855	(2,128)	14,792,428	16,128,696	9.03%

Property tax revenues decreased 1.19% this is due to an increase in valuation. Business-type revenue increased 3.4% this year due to two reasons. The District had to raise adult lunch prices in order to continue their participation in the National Free and Reduced School Lunch program. With an increase in families needing assistance with school meals during the current economic times the District did not want to lose these funds. Increases in expenses of 8.94% for the year also increased in the business-type activities which is typical nationwide with food and milk prices fluctuating so much with the current economy.

Governmental Activities

Revenues for governmental activities were \$11,884,181 and expenses were \$10,540,930. Although revenues are higher than expenses it is important to remember that the District is still in a pattern of declining enrollment. The District has cash reserved to help with cash flow. Income Surtax revenues increased 6.71% this year which may be an indication that the economy is starting to turn around and income for the communities served by the District is increasing.

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

Figure A-5

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

	Total Cost of Services 2012 \$	Total Cost of Services 2013 \$	Net Cost Of Services 2012 \$	Net Cost Of Services 2013 \$
Instruction	7,548	6,920	5,312	4,820
Support Services	2,514	2,560	2,474	2,515
Non-instructional Programs	-	14	-	14
Other Expenses	820	1,047	477	694
TOTAL	10,882	10,541	8,263	8,043

- The cost financed by users of the District's programs was \$1,152,728.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,326,152.
- The net cost of governmental activities was financed with \$4,425,360 in property and income surtax taxes and \$3,883,967 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$490,573 and expenses were \$513,399. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The District has been monitoring the School Nutrition Fund and trying to improve the revenue capabilities. The ala-carte program the District implemented has helped to increase the revenues, but it was determined that with the increases in expenses it was necessary to increase the meal charges by ten cents in 2012-2013. Meal prices are reviewed annually and adjusted if it is anticipated that there will be a short fall in revenue compared to expenses. Meal prices are normally reviewed in February or March and when reviewed in March of 2012 it was decided that the only increase for the 2013-2014 would be a slight adjustment to the ala-carte prices and an increase in adult prices mandated by the Department of Education in order to continue participation in the National School Lunch Free and Reduced Program.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,225,760, which is an increase from last year's ending fund balances of \$4,378,395. The primary reason for the increase in combined fund balances in fiscal 2013 is as mentioned earlier, the District cash reserved for the excess of expenses over revenue from the recent decline in enrollment. It is hoped that this effort will help to maintain the property taxes at the current level or with only a minimal increase.

The Capital Projects Fund recognized an increase in fund balance of \$322,737. The reason for the increase is due to the District's efforts to minimize purchases knowing that the stadium remodeling would begin on July 1, 2013 and the District wanted to be certain to have the funds necessary to pay for this project without any type of borrowing.

Governmental Fund Highlights

- The District's recent measures of implementing changes in the Instructional Support Levy using a combination of income surtax and property tax dollars has helped in curtailing the direction of the General Fund financial position from a deteriorating one. In addition to this, the District also cash reserved during the budget process for the amount expenses exceeded revenue in the previous year. This year with the current economic condition improving slightly coupled with continued declining enrollment, we were able to see an increase in the fund balance of \$428,724.
- The Capital Projects Fund includes revenues from sales tax and the physical plant and equipment levy. The District tracks the revenues, expenditures and fund balances of the two types of funding separately. The Capital Projects Fund saw an increase in fund balance of \$322,737 with the majority of this increase being from the physical plant and equipment account. The District, due to the fact it was in its first year of the 1:1 Technology Initiative, chose to minimize its spending in the fund in order to build up funds for the athletic stadium renovation which would begin on July 1, 2013.

The School Infrastructure account ending fund balance which is generated with revenues from the Local Option Sales and Service Tax (LOSST) decreased slightly. This can be contributed to the fact that the District continued on with the long-range planning, even though actual sales tax revenues were down in fiscal year 2013.

- The Student Activity Fund and Management Fund were the non-major Governmental Funds in Fiscal 2013. The major expenses in the Management Fund this year were for District property insurance and the Early Retirement Incentive. There was an increase in the fund balance for the Management Fund of \$60,810 and this is due to

the District planning for the eight retirees that retired at the end of 2013 and will be paid in July of fiscal year 2013-2014. Student Activity Fund continues to remain fairly stable in its ending fund balance.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$4,855 at June 30, 2012 to (2,128) at June 30, 2013. The reasoning for this is the increase costs of food and supplies, which has impacted all food service businesses and households over the last few years. The District also had some equipment breakdowns in fiscal year 2013 that had to be replaced. Although the District had increased lunch prices these increases were not sufficient enough to offset the equipment replacements that were necessary. In past years if the School Nutrition fund were in a negative position the District would have transferred with board approval funds from the General fund to help with these unexpected breakdowns, however clarification and guidance from the Department of Education state that this practice is no longer acceptable.

BUDGETARY HIGHLIGHTS

The District's receipts were \$131,933 more than budgeted receipts, a variance of 1.08%. State sources were lower than budgeted by \$183,315 and Federal sources were higher by \$288,803. The decrease in State sources is due to the legislature not having settled on allowable growth at the time the budget was developed. The Federal sources increase can be attributed to the District efforts in filing for Medicaid reimbursement and increased Federal funding due to the increase in families qualifying for the free and reduced program. Local sources increase is a result of additional students open enrolled into our district that were not anticipated at the time the budget was certified.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$11.44 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1.62% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$430,196.

The original cost of the District's capital assets was \$17.2 million. Governmental funds account for \$17.14 million, with the remainder of \$0.08 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category. This is due to the fact the District purchased a new scoreboard and a new steam kettle. The District limited its improvements during the 2012-2013 year because of the upcoming athletic stadium project and to maintain funds for future projects. Due to the fact the District had limited its improvements to buildings the depreciation of buildings outweighed actual improvements which resulted in a (2.08%) change in the category of buildings.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2012-2013
	2012	2013	2012	2013	2012	2013	
	\$	\$	\$	\$	\$	\$	
Land	392,241	392,241	-0-	-0-	392,241	392,241	0.00%
Construction in progress	-0-	-0-	-0-	-0-	-0-	-0-	0.00%
Buildings	10,765,262	10,540,708	-0-	-0-	10,765,262	10,540,708	(2.08)%
Improvements	313,910	322,904	-0-	-0-	313,910	322,904	2.86%
Equipment & Furniture	147,272	160,984	5,131	18,364	152,403	179,348	17.68%
TOTAL	11,618,685	11,416,837	5,131	18,364	11,623,816	11,435,201	(1.62)%

Long-Term Debt

At June 30, 2013, the District had \$955,485 in revenue bonds, termination benefits, and Net OPEB (Other Post Employment Benefits). (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a bond rating of A- assigned by national rating agencies to the District's debt since 2004. The District has had no change in its bond rating from Standard's and Poor. Audit reports are sent annually to this rating agency.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$14.4 million.

The district has \$715,000 in remaining principal to pay on the Local Option Sales and Services Tax Revenue Bonds and the last payment is scheduled for July 1, 2013.

The District had eight employees that will be receiving termination benefits in fiscal year 2013. These employees will be paid from the Management fund as allowed by Iowa Code.

This is the fourth year for implementation of GASB 45 Other Post Employment Benefits reporting. The District is required to show the liability for OPEB, but is not required to fund this liability. The District does not intend on funding OPEB, because our only benefit is that retirees that are on the health insurance at the time of retirement may purchase the District's insurance until the month they turn 65. The retiree is responsible for full payment of the insurance. This OPEB liability will grow as full-time certified new employees are required to take health insurance through the District's health insurance plan during their employment.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage Change 2012-2013
	2012	2013	
	\$	\$	
Local Option Sales and Services Tax Revenue Bonds	1,405,000	715,000	(49.11)%
Early Retirement	182,957	191,088	4.44%
Net OPEB Liability	23,358	49,397	111.48%
Total	1,611,315	955,485	(40.70)%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- District enrollment increased for the second year in a row since October 2000. The increase was 11.83 students. School financing is highly dependent upon student enrollment. This increase will help with the budgeting for 2015.
- Even though this year showed an increase in enrollment of 11.83 students this will only put a dent in the funding loss that has occurred over the past twelve years. Over the past thirteen years the District's enrollment has decreased 162.55 students which has directly resulted in a funding loss of approximately \$956,281. A majority of the funding for the District's budget is based on certified enrollment due to the loss of funds over the past thirteen years it will be necessary for the District to maintain a close watch on expenditures and spending authority.
- The District is hoping that the past few years levying for cash reserve will help to maintain an appropriate level of funding to continue all of the programs offered by Roland-Story. The District feels that all programs offered help to provide a very rounded student able to meet the various changes in the global society that we now live in. It is also the hope that with an increase in enrollment the past two years that the District will not need to cash reserve as much as in the past few years and will be able to maintain sufficient funds, so as not to have to participate in ISCAP, yet meet all obligations in the first three months of the fiscal year, until state aid is received.
- The District has a three-year contract with the Roland-Story Education Association (RSEA) which included an overall increase in salary and benefits for certified teaching staff of 4.0% or \$226,270 for fiscal year 2014. Staff represented by RSEA makeup in wages and benefits 55% of all General Fund expenditures. Settlements with the RSEA have typically set the standard for agreements with other employees in the District. Settlements with employee groups that exceed the rate of growth in state funding will have an adverse impact upon the District's General Fund budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Candi Holm, District Secretary/Treasurer and Business Manager, Roland-Story Community School District, 1009 Story Street, Story City, Iowa, 50248.

BASIC FINANCIAL STATEMENTS

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total	Component Unit Roland- Story Community School District Foundation
	\$	\$	\$	\$
Assets				
Cash, cash equivalents and pooled investments	5,279,578	6,983	5,286,561	971,727
Receivables:				
Property tax:				
Delinquent	42,048	-	42,048	-
Succeeding year	3,703,396	-	3,703,396	-
Accounts	12,608	104	12,712	-
Interfund receivable (payable)	16,741	(16,741)	-	-
Due from other governments	707,557	-	707,557	-
Inventories	-	2,424	2,424	-
Prepaid expenses	766	-	766	-
Bond issue costs	6,840	-	6,840	-
Capital assets, net of accumulated depreciation	11,416,837	18,364	11,435,201	-
Total assets	21,186,371	11,134	21,197,505	971,727
Liabilities				
Accounts payable	244,601	106	244,707	-
Salaries and benefits payable	88,667	-	88,667	-
Due to other governments	46,613	-	46,613	-
Accrued interest payable	13,130	-	13,130	-
Deferred revenue:				
Succeeding year property tax	3,703,396	-	3,703,396	-
Other	-	11,902	11,902	-
Long-term liabilities:				
Portion due within one year:				
Bond premium	4,909	-	4,909	-
Revenue bonds payable	715,000	-	715,000	-
Termination benefits	191,088	-	191,088	-
Portion due after one year:				
Net OPEB liability	48,143	1,254	49,397	-
Total liabilities	5,055,547	13,262	5,068,809	-

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total	Component Unit Roland- Story Community School District Foundation
	\$	\$	\$	\$
Net position				
Net investment in capital assets	10,701,837	18,364	10,720,201	-
Restricted for:				
Scholarships and projects by donors	-	-	-	971,727
Categorical funding	105,390	-	105,390	-
Management levy	122,858	-	122,858	-
Physical plant and equipment levy	854,508	-	854,508	-
Student activities	311,566	-	311,566	-
School infrastructure	1,552,743	-	1,552,743	-
Unrestricted	2,481,922	(20,492)	2,461,430	-
Total net position	<u>16,130,824</u>	<u>(2,128)</u>	<u>16,128,696</u>	<u>971,727</u>

ROLAND-STORY COMMUNITY SCHOOLDISTRICT

Statement of Activities

Year ended June 30, 2013

Functions/Programs	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	4,529,692	703,876	683,531	-
Special	1,097,134	78,118	214,190	-
Other	1,293,005	325,930	94,166	-
	<u>6,919,831</u>	<u>1,107,924</u>	<u>991,887</u>	<u>-</u>
Support services:				
Student	251,591	-	-	-
Instructional staff	428,098	-	-	-
Administration	906,360	-	-	-
Operation and maintenance of plant	698,669	33,333	-	-
Transportation	275,507	11,471	-	-
	<u>2,560,225</u>	<u>44,804</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>13,591</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	311,364	-	-	18,773
Long-term debt interest	26,260	-	-	-
AEA flowthrough	334,265	-	334,265	-
Depreciation (unallocated)*	375,394	-	-	-
	<u>1,047,283</u>	<u>-</u>	<u>334,265</u>	<u>18,773</u>
Total governmental activities	<u>10,540,930</u>	<u>1,152,728</u>	<u>1,326,152</u>	<u>18,773</u>
Business type activities:				
Non-instructional programs:				
Food service operations	513,399	319,796	170,775	-
Total	<u>11,054,329</u>	<u>1,472,524</u>	<u>1,496,927</u>	<u>18,773</u>
Component Unit:				
Roland Story Comm. School District Foundation	27,315	-	28,414	-
Total	<u>11,081,644</u>	<u>1,472,524</u>	<u>1,525,341</u>	<u>18,773</u>

General Revenues:

Property taxes levied for:
 General purposes
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Capital Contribution

Total general revenues and capital contributions

Change in net position

Net position beginning of year

Net position end of year

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(3,142,285)	-	(3,142,285)	-
(804,826)	-	(804,826)	-
(872,909)	-	(872,909)	-
<u>(4,820,020)</u>	<u>-</u>	<u>(4,820,020)</u>	<u>-</u>
(251,591)	-	(251,591)	-
(428,098)	-	(428,098)	-
(906,360)	-	(906,360)	-
(665,336)	-	(665,336)	-
(264,036)	-	(264,036)	-
<u>(2,515,421)</u>	<u>-</u>	<u>(2,515,421)</u>	<u>-</u>
(13,591)	-	(13,591)	-
(292,591)	-	(292,591)	-
(26,260)	-	(26,260)	-
-	-	-	-
(375,394)	-	(375,394)	-
(694,245)	-	(694,245)	-
<u>(8,043,277)</u>	<u>-</u>	<u>(8,043,277)</u>	<u>-</u>
-	(22,828)	(22,828)	-
(8,043,277)	(22,828)	(8,066,105)	-
-	-	-	1,099
<u>(8,043,277)</u>	<u>(22,828)</u>	<u>(8,066,105)</u>	<u>1,099</u>
3,579,298	-	3,579,298	-
367,517	-	367,517	-
478,545	-	478,545	-
1,043,760	-	1,043,760	-
3,883,967	-	3,883,967	-
12,269	2	12,271	55,661
21,172	-	21,172	-
<u>9,386,528</u>	<u>2</u>	<u>9,386,530</u>	<u>55,661</u>
-	15,843	15,843	-
<u>9,386,528</u>	<u>15,845</u>	<u>9,402,373</u>	<u>55,661</u>
1,343,251	(6,983)	1,336,268	56,760
<u>14,787,573</u>	<u>4,855</u>	<u>14,792,428</u>	<u>914,967</u>
<u>16,130,824</u>	<u>(2,128)</u>	<u>16,128,696</u>	<u>971,727</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2013

	<u>General</u>	<u>Capital</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$	\$
Assets				
Cash, cash equivalents and pooled investments	2,269,188	2,387,629	622,761	5,279,578
Receivables:				
Property tax:				
Delinquent	34,705	3,578	3,765	42,048
Succeeding year	2,861,707	391,689	450,000	3,703,396
Accounts	10,857	-	1,751	12,608
Interfund receivable	16,741	-	-	16,741
Due from other governments	421,363	286,173	21	707,557
Prepaid expenses	766	-	-	766
	<u>5,615,327</u>	<u>3,069,069</u>	<u>1,078,298</u>	<u>9,762,694</u>
Total assets				
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	85,427	156,715	2,459	244,601
Salaries and benefits payable	88,340	-	327	88,667
Due to other governments	46,613	-	-	46,613
Deferred revenue:				
Succeeding year property tax	2,861,707	391,689	450,000	3,703,396
Income surtax	340,243	113,414	-	453,657
Total liabilities	<u>3,422,330</u>	<u>661,818</u>	<u>452,786</u>	<u>4,536,934</u>
Fund balances:				
Restricted for:				
Categorical funding	105,390	-	-	105,390
Management levy purposes	-	-	313,946	313,946
Student activities	-	-	311,566	311,566
School infrastructure	-	1,552,743	-	1,552,743
Physical plant and equipment	-	854,508	-	854,508
Unassigned	2,087,607	-	-	2,087,607
Total fund balances	<u>2,192,997</u>	<u>2,407,251</u>	<u>625,512</u>	<u>5,225,760</u>
	<u>5,615,327</u>	<u>3,069,069</u>	<u>1,078,298</u>	<u>9,762,694</u>
Total liabilities and fund balances				

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

	\$
Total fund balances of governmental funds (Exhibit C)	5,225,760
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	11,416,837
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	453,657
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(13,130)
Bond issue costs are reported as an asset in the Statement of Net Position and are amortized over the life of the bonds.	6,840
Long-term liabilities, including bond premiums, bonds payable, termination benefits 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>(959,140)</u>
Net position of governmental activities (Exhibit A)	<u><u>16,130,824</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,564,031	1,522,965	350,332	5,437,328
Tuition	665,524	-	-	665,524
Other	175,459	35,910	330,794	542,163
State sources	4,886,928	185	190	4,887,303
Federal sources	322,816	-	-	322,816
Total revenues	<u>9,614,758</u>	<u>1,559,060</u>	<u>681,316</u>	<u>11,855,134</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,303,791	14,159	182,957	4,500,907
Special	1,093,489	-	-	1,093,489
Other	1,000,054	-	291,389	1,291,443
	<u>6,397,334</u>	<u>14,159</u>	<u>474,346</u>	<u>6,885,839</u>
Support services:				
Student	297,102	-	-	297,102
Instructional staff	428,098	-	-	428,098
Administration	900,235	-	3,000	903,235
Operation and maintenance of plant	577,004	5,747	110,872	693,623
Transportation	252,028	-	194	252,222
	<u>2,454,467</u>	<u>5,747</u>	<u>114,066</u>	<u>2,574,280</u>
Non-instructional programs	-	13,591	-	13,591
Other expenditures:				
Facilities acquisition	-	471,198	-	471,198
Long-term debt:				
Principal	-	-	690,000	690,000
Interest and fiscal charges	-	-	38,628	38,628
AEA flowthrough	334,265	-	-	334,265
	<u>334,265</u>	<u>471,198</u>	<u>728,628</u>	<u>1,534,091</u>
Total expenditures	<u>9,186,066</u>	<u>504,695</u>	<u>1,317,040</u>	<u>11,007,801</u>
Excess (deficiency) of revenues over (under) expenditures	<u>428,692</u>	<u>1,054,365</u>	<u>(635,724)</u>	<u>847,333</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Sales of equipment	32	-	-	32
Operating transfers in	-	-	731,628	731,628
Operating transfers out	-	(731,628)	-	(731,628)
	<u>32</u>	<u>(731,628)</u>	<u>731,628</u>	<u>32</u>
Total other financing sources (uses)				
Change in fund balances	428,724	322,737	95,904	847,365
Fund balances beginning of year	<u>1,764,273</u>	<u>2,084,514</u>	<u>529,608</u>	<u>4,378,395</u>
Fund balances end of year	<u><u>2,192,997</u></u>	<u><u>2,407,251</u></u>	<u><u>625,512</u></u>	<u><u>5,225,760</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		847,365
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	225,738	
Depreciation expense	<u>(427,586)</u>	(201,848)
Income surtaxes and other grants not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		31,792
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
		690,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		12,368
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(8,131)	
Other postemployment benefits	<u>(25,518)</u>	(33,649)
Bond issue costs are reported as an expense in the governmental fund financial statements, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.		
		(6,840)
Bond premiums are reported as income in the governmental funds, but are amortized over the life of the bonds in the government-wide financial statements.		
		<u>4,063</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>1,343,251</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2013

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	6,983
Accounts receivable	104
Inventories	<u>2,424</u>
Total current assets	9,511
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>18,364</u>
Total assets	<u>27,875</u>
Liabilities	
Current liabilities:	
Accounts payable	106
Deferred revenue	11,902
Interfund payable	<u>16,741</u>
Total current liabilities	28,749
Noncurrent liabilities:	
Net OPEB liability	<u>1,254</u>
Total liabilities	<u>30,003</u>
Net position	
Invested in capital assets	18,364
Unrestricted	<u>(20,492)</u>
Total net position	<u><u>(2,128)</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>319,796</u>
Operating expenses:	
Salaries	154,021
Benefits	23,322
Purchased services	12,921
Supplies	320,517
Depreciation	2,610
Other	8
Total operating expenses	<u>513,399</u>
Operating income (loss)	<u>(193,603)</u>
Non-operating revenues:	
State sources	4,788
Federal sources	165,987
Interest income	2
Total non-operating revenues	<u>170,777</u>
Income (loss) before capital contributions	(22,826)
Capital contributions	<u>15,843</u>
Net income (loss)	(6,983)
Net position beginning of year	<u>4,855</u>
Net position end of year	<u><u>(2,128)</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2013

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	322,004
Cash payments to employees for services	(160,081)
Cash payments to suppliers for goods or services	(315,981)
Net cash used by operating activities	<u>(154,058)</u>
Cash flows from non-capital financing activities:	
State grants received	4,788
Federal grants received	148,684
Net cash provided by non-capital financing activities	<u>153,472</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>2</u>
Net increase (decrease) in cash and cash equivalents	(584)
Cash and cash equivalents at beginning of year	<u>7,567</u>
Cash and cash equivalents at end of year	<u><u>6,983</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(193,603)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	17,303
Depreciation	2,610
Decrease (increase) in inventories	673
Decrease (increase) in accounts receivable	682
(Decrease) increase in accounts payable	(511)
(Decrease) increase in interfund payable	16,741
(Decrease) increase in deferred revenue	1,526
(Decrease) increase in other postemployment benefits	521
Net cash used by operating activities	<u><u>(154,058)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$17,303 of federal commodities.

During the year ended June 30, 2013 the School Nutrition Fund received \$15,843 of equipment that was purchased by other funds.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

1. Summary of Significant Accounting Policies

Roland-Story Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Roland and Story City, Iowa and the predominately agricultural territory in a portion of Boone, Hamilton, Hardin and Story Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Roland-Story Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Roland-Story Community School District Foundation has been included in the financial statements as a component unit because of the nature and significance of its relationship with the Roland-Story Community School District.

The Roland-Story Community School District Foundation was established to maintain, develop, increase and extend the facilities and services of the Roland-Story Community School District, and to provide broader education service opportunities to its students, staff, faculty and the residents of the Roland-Story Community School District. The Foundation has a December 31, year-end. Foundation financial statements are shown in the Statement of Net Assets and the Statement of Activities in separate columns. As explained in the Independent Auditor's Opinion, the Foundation financial statements have not been audited.

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

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the

current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable

represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	25,000
Improvements other than buildings	25,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

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

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for

and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

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

Non-spendable – Amounts which cannot be spent because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013 expenditures did not exceed the amounts budgeted.

2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2013 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, 2013, the District had the following investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,215,954 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Debt Service Fund	Capital Projects Fund	731,628

The transfer from the Capital Projects Fund to the Debt Service Fund moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	392,241	-	-	392,241
Construction in progress	-	-	-	-
	<u>392,241</u>	<u>-</u>	<u>-</u>	<u>392,241</u>
Capital assets being depreciated:				
Buildings	14,934,910	118,259	-	15,053,169
Improvements other than buildings	580,760	41,575	-	622,335
Furniture and equipment	1,019,173	65,904	12,000	1,073,077
Total capital assets being deprec.	<u>16,534,843</u>	<u>225,738</u>	<u>12,000</u>	<u>16,748,581</u>
Less accumulated depreciation for:				
Buildings	4,169,648	342,813	-	4,512,461
Improvements other than buildings	266,850	32,581	-	299,431
Furniture and equipment	871,901	52,192	12,000	912,093
Total accumulated depreciation	<u>5,308,399</u>	<u>427,586</u>	<u>12,000</u>	<u>5,723,985</u>
Total capital assets being depreciated, net	<u>11,226,444</u>	<u>(201,848)</u>	<u>-</u>	<u>11,024,596</u>
Governmental activities capital assets, net	<u>11,618,685</u>	<u>(201,848)</u>	<u>-</u>	<u>11,416,837</u>
Business type activities:				
Furniture and equipment	70,494	15,843	-	86,337
Less accumulated depreciation	<u>65,363</u>	<u>2,610</u>	<u>-</u>	<u>67,973</u>
Business type activities capital assets, net	<u>5,131</u>	<u>13,233</u>	<u>-</u>	<u>18,364</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	6,072
Support services:	
Student support	19,351
Operation and maintenance of plant	3,484
Transportation	23,285
	<u>52,192</u>
Unallocated depreciation	<u>375,394</u>
	<u>427,586</u>
Business type activities:	
Food services	<u>2,610</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Sales tax revenue bonds	1,405,000	-	690,000	715,000	715,000
Termination benefits	182,957	191,088	182,957	191,088	191,088
Net OPEB liability	22,625	25,518	-	48,143	-
	<u>1,610,582</u>	<u>216,606</u>	<u>872,957</u>	<u>954,231</u>	<u>906,088</u>
Business type activities:					
Net OPEB liability	733	521	-	1,254	-

Termination Benefits

The District offered a voluntary early retirement plan to its employees during 2011 and 2012. Eligible employees must have completed at least fifteen years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to 45% of the employee's base salary in effect during the employee's last year of employment.

Early retirement benefits will be paid in one installment made during the July following the start of retirement.

At June 30, 2013, the District has an obligation to eight participants for early retirement benefits. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$182,957.

Revenue Bonds Payable

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of September 2004				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2014	3.60	585,000	10,530	595,530

Bond Issue of June 2007				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2014	4.00	130,000	2,600	132,600

The District has pledged future statewide sales, services and use tax revenues to repay the \$4,100,000 bonds issued in September 2004 and the \$775,000 bonds issued in June 2007. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 70 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes are \$595,530 and \$132,600 respectively. For the current year \$590,860 in principal and interest was paid on the September 2004 bonds, and \$137,767 in principal and interest was paid on the June 2007 bonds. The total current year statewide sales, services and use tax revenues were \$1,043,760

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

- The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- Bonds maturing after July 1, 2011, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- \$410,000 and \$75,500 of the proceeds from the bond issues have been placed in reserve accounts with a trustee. The reserve accounts may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking accounts. The reserve accounts are part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in sinking funds with a trustee. The required amount to be deposited in the sinking funds in any month shall be the equal monthly amount necessary to pay in full the installment of interest coming due on the next interest payment date and the amount necessary to pay in full the installment of principal coming due on the next succeeding principal payment date until the full amount of such installment is on hand. Money in the sinking accounts shall be used to pay the interest and principal on the bonds. Any surplus monies remaining after all required payments to the sinking fund may be used for any lawful purpose for which the statewide sales tax may be used. The sinking fund is part of the Capital Projects Fund.

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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$524,770, \$486,385 and \$378,365 respectively, equal to the required contributions for each year.

7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 50 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Health Alliance. 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	32,439
Interest on net OPEB obligation	584
Adjustment to annual required contribution	2,232
Annual OPEB cost	<u>30,791</u>
Contributions made	<u>4,752</u>
Increase in net OPEB obligation	26,039
Net OPEB obligation beginning of year	<u>23,358</u>
Net OPEB obligation end of year	<u>49,397</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. 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, 2013.

For the year ended June 30, 2013, the District contributed \$4,752 to the medical plan. Plan members eligible for benefits contributed \$20,208, or 100% 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, 2013 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	16,048	51.6	7,760
June 30, 2011	15,738	64.1	13,402
June 30, 2012	16,788	40.7	23,358
June 30, 2013	30,791	15.4	49,397

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$181,223, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$181,223. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,740,000, and the ratio of the UAAL to covered payroll was 6.6%. As of June 30, 2013, 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, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

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

The UAAL is being amortized over 30 years.

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$334,265 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Commitments

The District has entered into an \$185,158 contract for seeding. Work on the project had not started at June 30, 2013.

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and talented	72
Returning dropout and dropout prevention program	2,245
Teacher salary supplement	35,999
Home school assistance program	16,517
Educator quality, professional development	2,694
Iowa conservation education grant	375
Market factor	12,929
Preschool	26,452
Core curriculum	8,107
	<u>105,390</u>

REQUIRED SUPPLEMENTARY INFORMATION

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2013

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	6,645,015	319,798	6,964,813	6,938,368	6,938,368	26,445
State sources	4,887,303	4,788	4,892,091	5,075,406	5,075,406	(183,315)
Federal sources	322,816	165,987	488,803	200,000	200,000	288,803
Total revenues	<u>11,855,134</u>	<u>490,573</u>	<u>12,345,707</u>	<u>12,213,774</u>	<u>12,213,774</u>	<u>131,933</u>
Expenditures/Expenses:						
Instruction	6,885,839	-	6,885,839	7,994,163	7,994,163	1,108,324
Support services	2,574,280	-	2,574,280	3,262,400	3,262,400	688,120
Non-instructional programs	13,591	513,399	526,990	503,621	528,621	1,631
Other expenditures	1,534,091	-	1,534,091	1,737,807	1,737,807	203,716
Total expenditures/expenses	<u>11,007,801</u>	<u>513,399</u>	<u>11,521,200</u>	<u>13,497,991</u>	<u>13,522,991</u>	<u>2,001,791</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	847,333	(22,826)	824,507	(1,284,217)	(1,309,217)	2,133,724
Other financing sources (uses) net	<u>32</u>	<u>15,843</u>	<u>15,875</u>	<u>-</u>	<u>-</u>	<u>15,875</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	847,365	(6,983)	840,382	(1,284,217)	(1,309,217)	2,149,599
Balance beginning of year	<u>4,378,395</u>	<u>4,855</u>	<u>4,383,250</u>	<u>2,599,847</u>	<u>2,599,847</u>	<u>1,783,403</u>
Balance end of year	<u><u>5,225,760</u></u>	<u><u>(2,128)</u></u>	<u><u>5,223,632</u></u>	<u><u>1,315,630</u></u>	<u><u>1,290,630</u></u>	<u><u>3,933,002</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2013

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

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

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

During the year ended June 30, 2013, expenditures did not exceed the amended amounts budgeted.

ROLAND-STORY 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	-	131,366	131,366	0.0%	1,640,000	8.0%
2011	July 1, 2009	-	120,550	120,550	0.0%	2,340,000	5.2%
2012	July 1, 2009	-	107,338	107,338	0.0%	2,460,000	4.4%
2013	July 1, 2012	-	181,223	181,223	0.0%	2,740,000	6.6%

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

SUPPLEMENTARY INFORMATION

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

	Special Revenue Funds		
	Management	Student	Total
	Levy	Activity	
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	310,160	312,601	622,761
Receivables:			
Property tax:			
Delinquent	3,765	-	3,765
Succeeding year	450,000	-	450,000
Accounts	-	1,751	1,751
Due from other governments	21	-	21
	<u>763,946</u>	<u>314,352</u>	<u>1,078,298</u>
Total assets			
	<u>763,946</u>	<u>314,352</u>	<u>1,078,298</u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	-	2,459	2,459
Salaries and benefits payable	-	327	327
Deferred revenue:			
Succeeding year property tax	450,000	-	450,000
Total liabilities	<u>450,000</u>	<u>2,786</u>	<u>452,786</u>
Fund balances:			
Restricted for:			
Management levy purposes	313,946	-	313,946
Student activities	-	311,566	311,566
Total fund balances	<u>313,946</u>	<u>311,566</u>	<u>625,512</u>
	<u>763,946</u>	<u>314,352</u>	<u>1,078,298</u>
Total liabilities and fund balances			
	<u>763,946</u>	<u>314,352</u>	<u>1,078,298</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Special Revenue Funds			Total
	Management	Student	Debt	
	Levy	Activity	Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	350,332	-	-	350,332
Other	4,311	326,483	-	330,794
State sources	190	-	-	190
Total revenues	<u>354,833</u>	<u>326,483</u>	<u>-</u>	<u>681,316</u>
Expenditures:				
Current:				
Instruction:				
Regular	182,957	-	-	182,957
Other	-	291,389	-	291,389
Support services:				
Administration	-	-	3,000	3,000
Operation and maintenance of plant	110,872	-	-	110,872
Transportation	194	-	-	194
Other expenditures:				
Long-term debt:				
Principal	-	-	690,000	690,000
Interest and fiscal charges	-	-	38,628	38,628
Total expenditures	<u>294,023</u>	<u>291,389</u>	<u>731,628</u>	<u>1,317,040</u>
Excess (deficiency) of revenues over (under) expenditures	60,810	35,094	(731,628)	(635,724)
Other financing sources (uses):				
Operating transfers in	-	-	731,628	731,628
Change in fund balance	60,810	35,094	-	95,904
Fund balances beginning of year	<u>253,136</u>	<u>276,472</u>	<u>-</u>	<u>529,608</u>
Fund balances end of year	<u><u>313,946</u></u>	<u><u>311,566</u></u>	<u><u>-</u></u>	<u><u>625,512</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash, cash equivalents and pooled investments	1,533,075	854,554	2,387,629
Receivables:			
Property tax:			
Delinquent	-	3,578	3,578
Succeeding year	-	391,689	391,689
Due from other governments	172,739	113,434	286,173
Total assets	<u>1,705,814</u>	<u>1,363,255</u>	<u>3,069,069</u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	153,071	3,644	156,715
Deferred revenue:			
Succeeding year property tax	-	391,689	391,689
Income surtax	-	113,414	113,414
Total liabilities	<u>153,071</u>	<u>508,747</u>	<u>661,818</u>
Fund balances:			
Restricted for:			
School infrastructure	1,552,743	-	1,552,743
Physical plant and equipment	-	854,508	854,508
Total fund balances	<u>1,552,743</u>	<u>854,508</u>	<u>2,407,251</u>
Total liabilities and fund balances	<u>1,705,814</u>	<u>1,363,255</u>	<u>3,069,069</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Capital Projects		Total \$
	Statewide Sales, Services and Use \$	Physical Plant and Equipment Levy \$	
Revenues:			
Local sources:			
Local tax	1,043,760	479,205	1,522,965
Other	432	35,478	35,910
State sources	-	185	185
Total revenues	<u>1,044,192</u>	<u>514,868</u>	<u>1,559,060</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	14,159	14,159
Support services:			
Operation and maintenance of plant	-	5,747	5,747
Non-instructional programs	-	13,591	13,591
Other expenditures:			
Facilities acquisition	382,823	88,375	471,198
Total expenditures	<u>382,823</u>	<u>121,872</u>	<u>504,695</u>
Excess (deficiency) of revenues over (under) expenditures	661,369	392,996	1,054,365
Other financing sources (uses):			
Operating transfers out	<u>(731,628)</u>	-	<u>(731,628)</u>
Change in fund balance	(70,259)	392,996	322,737
Fund balances beginning of year	<u>1,623,002</u>	<u>461,512</u>	<u>2,084,514</u>
Fund balance end of year	<u><u>1,552,743</u></u>	<u><u>854,508</u></u>	<u><u>2,407,251</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
General athletics	13,153	21,613	19,128	15,638
Interest	10,679	553	-	11,232
Gifts/RIF	1,026	650	1,446	230
<u>ELEMENTARY</u>				
Student council	5,743	8,027	3,165	10,605
OCA	899	-	210	689
Helping hands	362	-	-	362
Pencil project	296	-	-	296
S.N. penny drive	547	416	531	432
<u>MIDDLE SCHOOL</u>				
Vocal music	1,947	924	1,924	947
Instrumental music	1,750	2,128	2,711	1,167
Student council	4,557	6,058	7,654	2,961
<u>HIGH SCHOOL</u>				
Speech/drama/musical	19,446	7,706	8,656	18,496
Vocal music	14,667	2,471	540	16,598
Instrumental music	6,822	3,275	4,503	5,594
Music uniforms	2,145	1,550	1,937	1,758
Cross country	-	2,162	2,162	-
Boys basketball	19,441	18,275	13,347	24,369
Boys football	35,999	39,729	24,289	51,439
Boys baseball	35	22,100	21,989	146
Boys track	6,040	5,718	6,964	4,794
Boys golf	80	1,334	1,414	-
Wrestling	13,852	12,624	14,409	12,067
Girls basketball	20,678	14,361	13,715	21,324
Girls volleyball	4,238	14,369	12,663	5,944
Girls softball	318	15,368	14,969	717
Girls track	786	1,477	2,262	1
Girls golf	-	964	964	-
Yearbook	3,852	1,805	724	4,933
FFA	19,248	32,588	31,236	20,600
FCCLA	1,661	4,196	4,349	1,508
Student council	3,238	2,028	2,187	3,079
Honor Society	-	978	876	102
HOSA	906	1,184	1,342	748
Cheerleaders	1,991	9,586	8,208	3,369

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Key club	2,199	3,586	3,584	2,201
Student awards	15,910	1,397	2,713	14,594
Pop fund	1,032	118	357	793
Concessions	36,708	55,229	43,746	48,191
Class of 2013	4,221	488	3,896	813
Class of 2014	-	9,448	6,619	2,829
	<u>276,472</u>	<u>326,483</u>	<u>291,389</u>	<u>311,566</u>
Total	<u>276,472</u>	<u>326,483</u>	<u>291,389</u>	<u>311,566</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

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

For the Last Ten Years

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	5,437,328	5,501,259	4,892,840	4,601,000	4,456,135	4,602,704	4,340,770	4,036,115	3,798,784	3,530,182
Tuition	665,524	653,774	605,015	490,977	515,731	527,063	463,916	364,822	383,429	399,886
Other	542,163	522,707	527,371	551,117	570,505	583,488	725,855	530,474	464,237	388,606
Intermediate sources	-	-	-	-	-	-	11,095	-	-	-
State sources	4,887,303	4,928,027	4,921,760	4,208,855	4,844,904	4,808,240	4,741,516	4,454,045	4,401,245	4,258,205
Federal sources	322,816	486,793	341,355	859,706	343,864	151,481	130,983	131,095	133,265	129,707
Total revenues	<u>11,855,134</u>	<u>12,092,560</u>	<u>11,288,341</u>	<u>10,711,655</u>	<u>10,731,139</u>	<u>10,672,976</u>	<u>10,414,135</u>	<u>9,516,551</u>	<u>9,180,960</u>	<u>8,706,586</u>
Expenditures:										
Instruction:										
Regular	4,500,907	5,253,236	4,574,659	4,485,682	4,498,312	4,245,924	3,986,764	3,802,510	3,813,244	3,899,273
Special	1,093,489	1,081,898	1,055,453	1,043,012	1,167,425	951,140	945,853	980,878	833,874	982,501
Other	1,291,443	1,075,617	1,144,661	1,100,353	1,058,789	1,126,408	1,104,630	940,131	953,220	740,476
Support services:										
Student	297,102	294,403	270,135	239,246	267,237	144,323	164,147	156,012	162,878	191,352
Instructional staff	428,098	365,783	327,292	355,651	349,856	310,104	280,103	309,591	311,363	189,071
Administration	903,235	881,679	858,678	840,628	846,970	821,056	777,993	737,648	773,446	684,819
Operation and maintenance	693,623	668,038	686,314	662,647	659,132	680,945	649,469	617,655	588,619	523,648
Transportation	252,222	337,201	250,712	228,784	290,604	254,917	210,919	229,121	240,359	229,487
Non-instructional programs	13,591	-	-	-	38	2,757	2,051	235	-	6,583
Other expenditures:										
Facilities acquisition	471,198	465,255	211,348	405,208	270,935	1,398,369	848,843	3,162,653	729,417	456,497
Long-term debt:										
Principal	690,000	665,000	645,000	620,000	955,000	945,000	975,000	660,000	685,000	741,857
Interest and other charges	38,628	65,893	89,321	111,674	149,037	174,721	194,485	226,284	162,114	146,334
AEA flowthrough	334,265	333,300	374,891	362,163	328,715	316,694	306,665	288,699	283,677	287,754
Total expenditures	<u>11,007,801</u>	<u>11,487,303</u>	<u>10,488,464</u>	<u>10,455,048</u>	<u>10,842,050</u>	<u>11,372,358</u>	<u>10,446,922</u>	<u>12,111,417</u>	<u>9,537,211</u>	<u>9,079,652</u>

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Roland-Story Community School District and of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 31, 2014. We did not issue an opinion on the Roland-Story Community School District Foundation, which is included as a discretely presented component unit, because we were not engaged to, and did not audit the Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Roland-Story Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Roland-Story Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Roland-Story Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and 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 and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 13-I-A and 13-I-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Roland-Story Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain

provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Roland-Story Community School District's Responses to Findings

Roland-Story Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Roland-Story Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

March 31, 2014

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

Internal control deficiencies:

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

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We have implemented several monitoring procedures to compensate for lack of segregation of duties. The superintendent receives an e-mail from our accounting software provider every time that checks are printed and the superintendent receives an e-mail from the bank each time a wire transfer is initiated. We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

13-II-A Certified Budget: Expenditures for the year ended June 30, 2013, did not exceed the certified amount budgeted.

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

13-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Steve Peterson, board member, owner of Peterson Paint and Floor	Carpet and installation	11,176

The transaction does not appear to represent a conflict of interest because the job was bid as allowed by the Code of Iowa.

13-II-E 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.

13-II-F Board Minutes: No transactions requiring Board approval which had not been approved by the Board were noted.

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

13-II-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

13-II-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

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

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

12-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

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

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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	\$
		1,623,002
Revenues/transfers in:		
Statewide sales, services and use tax revenue	1,043,760	
Interest	<u>432</u>	1,044,192
Expenditures/transfers out:		
School infrastructure construction	382,823	
Transfers to debt service fund	<u>731,628</u>	<u>1,114,451</u>
Ending balance		<u>1,552,743</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.