

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Rockwell City-Lytton Community School District

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Mike Sexton	President	2015
Roscoe Simpson	Vice-President	2013
Ron Maulsby	Board Member	2015
Kyle Welander	Board Member	2013
Brad Assman	Board Member	2013
(After September 2013 Election)		
Mike Sexton	President	2015
Roscoe Simpson	Vice President	2017
Ron Maulsby	Board Member	2015
Jo Grodahl	Board Member	2017
Brad Assman	Board Member	2017
School Officials		
Jeff Kruse	Superintendent	2014
Wendi Geno	District Secretary/Treasurer	2014
Frank & Sextro, PLC	Attorney	2014

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

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

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 Rockwell City-Lytton Community School District, Rockwell City, Iowa, as of and for the year ended June 30, 2014, 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. 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.

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 present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rockwell City-Lytton Community School District as of June 30, 2014, 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.

Members American Institute & Iowa Society of Certified Public Accountants

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 7 through 15 and 40 through 42 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 operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 Rockwell City-Lytton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2013 (which are not presented herein) and expressed an unmodified opinion on those financial statements. Another auditor previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2005 (which are not presented herein) and expressed an unmodified opinion on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 December 12, 2014 on our consideration of Rockwell City-Lytton 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 Rockwell City-Lytton Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

December 12, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Rockwell City-Lytton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,503,620 in fiscal 2013 to \$5,490,057 in fiscal 2014, while General Fund expenditures decreased from \$4,917,290 in fiscal 2013 to \$4,765,149 in fiscal 2014. The District's General Fund balance increased from \$1,782,995 at June 30, 2013 to \$2,507,903 at June 30, 2014.
- General Fund revenues decreased as a result on receiving less revenues from federal sources than in the prior year. Despite this decrease, the General Fund balance increased in fiscal 2014 due to decreases in expenditures compared to the prior year primarily due to a decrease in instructional expenditures.

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 Rockwell City-Lytton Community School District as a whole and present an overall view of the District's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Rockwell City-Lytton Community School District Annual Financial Report

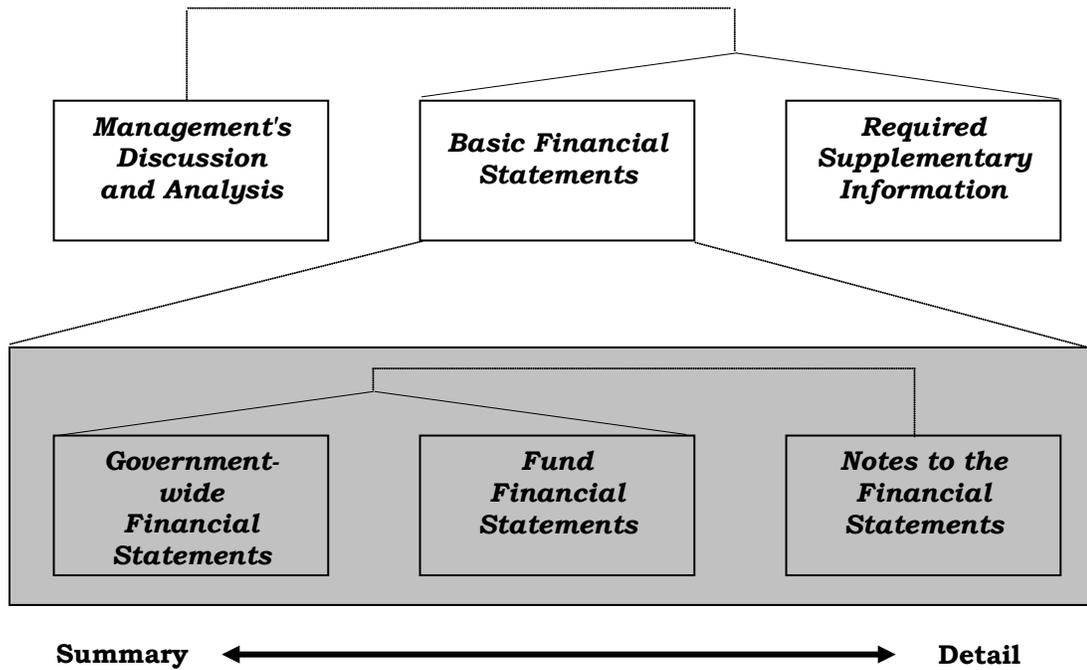


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. 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 position and how it has changed. Net position is 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 three kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

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

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

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 4,216,881	6,107,087	144,379	110,609	4,361,260	6,217,696	-29.86%
Capital assets	1,799,420	1,891,889	60,314	51,800	1,859,734	1,943,689	-4.32%
Total assets	6,016,301	7,998,976	204,693	162,409	6,220,994	8,161,385	-23.78%
Long-term liabilities	179,335	165,355	314	4,942	179,649	170,297	5.49%
Other liabilities	241,924	763,296	4,679	6,216	246,603	769,512	-67.95%
Total liabilities	421,259	928,651	4,993	11,158	426,252	939,809	-54.64%
Deferred inflows of resources	-	2,343,570	-	-	-	2,343,570	-100.00%
Net position:							
Net investment in capital assets	1,799,420	1,891,889	60,314	51,800	1,859,734	1,943,689	-4.32%
Restricted	1,452,747	1,337,399	-	-	1,452,747	1,337,399	8.62%
Unrestricted	2,342,875	1,497,467	139,386	99,451	2,482,261	1,596,918	55.44%
Total net position	\$ 5,595,042	4,726,755	199,700	151,251	5,794,742	4,878,006	18.79%

The District's combined net position increased by 18.79%, or \$916,736, from the prior year. A large portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$115,348, or 8.62% from the prior year. The increase in restricted net position is a result of an increase in fund balance for the Capital Projects Fund.

Unrestricted net position - 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 – increased \$885,343, or 55.44%. The increase in unrestricted net position was a result of the District's decrease in accrued salaries and benefits compared to the prior year.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to June 30, 2013.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 622,077	598,689	171,966	164,622	794,043	763,311	4.03%
Operating grants, contributions and restricted interest	389,758	457,305	188,476	204,666	578,234	661,971	-12.65%
General revenues:							
Property tax	2,341,309	2,335,560	-	-	2,341,309	2,335,560	0.25%
Statewide sales, services and use tax	414,234	370,134	-	-	414,234	370,134	11.91%
Unrestricted state grants	2,213,440	2,121,312	-	-	2,213,440	2,121,312	4.34%
Unrestricted investment earnings	4,388	1,315	67	41	4,455	1,356	228.54%
Other	49,769	151,452	1,947	2,086	51,716	153,538	-66.32%
Total revenues and transfers	6,034,975	6,035,767	362,456	371,415	6,397,431	6,407,182	-0.15%
Program expenses:							
Governmental activities:							
Instruction	3,442,461	3,567,908	-	-	3,442,461	3,567,908	-3.52%
Support services	1,418,049	1,381,361	2,278	15,373	1,420,327	1,396,734	1.69%
Non-instructional programs	335	45	311,729	316,472	312,064	316,517	-1.41%
Other expenses	305,843	298,142	-	-	305,843	298,142	2.58%
Total expenses	5,166,688	5,247,456	314,007	331,845	5,480,695	5,579,301	-1.77%
Change in net position	868,287	788,311	48,449	39,570	916,736	827,881	-10.73%
Net position beginning of year	4,726,755	3,938,444	151,251	111,681	4,878,006	4,050,125	20.44%
Net position end of year	\$ 5,595,042	4,726,755	199,700	151,251	5,794,742	4,878,006	18.79%

In fiscal 2014, property tax, statewide sales, services and use tax and unrestricted state grants account for 82.34% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.44% of the revenue from business type activities.

The District's total revenues were approximately \$6.40 million of which approximately \$6.04 million was for governmental activities and approximately \$0.36 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.15% decrease in revenues and a 1.77% decrease in expenses. The decrease in expenses is related to a decrease in instructional functional area expenses as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$6,034,975 and expenses were \$5,166,688.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 3,442,461	3,567,908	-3.52%	2,619,549	2,695,064	-2.80%
Support services	1,418,049	1,381,361	2.66%	1,417,596	1,379,514	2.76%
Non-instructional programs	335	45	644.44%	335	45	644.44%
Other expenses	305,843	298,142	2.58%	117,373	116,839	0.46%
Totals	<u>\$ 5,166,688</u>	<u>5,247,456</u>	<u>-1.54%</u>	<u>4,154,853</u>	<u>4,191,462</u>	<u>-0.87%</u>

- The cost financed by users of the District's programs was \$622,077.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$389,758.
- The net cost of governmental activities was financed with \$2,341,309 in property tax, \$414,234 in statewide sales, services and use tax, \$2,213,440 in unrestricted state grants, \$4,388 in interest income and \$49,769 in other general revenues.

Business-Type Activities

Revenues of the District's business type activities were \$362,456 and expenses were \$314,007. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,974,957, which is more than last year's ending fund balances of \$3,000,221. The increase in combined fund balances is primarily a result of the increase in fund balance of the General Fund.

Governmental Fund Highlights

- The General Fund balance increased from \$1,782,995 at June 30, 2013 to \$2,507,903 at June 30, 2014. The primary reason for the increase in fund balance is a decrease in instruction functional area expenditures as compared to the prior year.
- The Capital Projects Fund balance increased from a balance of \$897,987 at June 30, 2013 to \$1,222,276 at June 30, 2014. The primary reason for the increase in fund balance is a decrease in capital outlay expenditures and an increase in statewide sales, services and use tax revenues compared to the prior year.

Proprietary Fund Highlights

- The School Nutrition Fund net position increased from \$151,251 at June 30, 2013 to \$199,700 at June 30, 2014, representing an increase of 32.03%. This increase is primarily due to a decrease in support services expenditures as compared to the prior year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$1,099,542 less than budgeted revenues, a variance of 14.67%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$1,859,734, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 4.32% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$196,017.

The original cost of the District's capital assets was \$7,376,103. Governmental funds account for \$7,253,206 with the remainder of \$122,897 in the Proprietary, School Nutrition Funds.

The largest monetary change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$1,153,437 at June 30, 2013, compared to \$1,064,018 reported at June 30, 2014. This increase is attributed to annual depreciation expense incurred.

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 92,000	92,000	-	-	92,000	92,000	0.00%
Buildings	1,064,018	1,153,437	-	-	1,064,018	1,153,437	-7.75%
Land improvements	366,794	384,059	-	-	366,794	384,059	-4.50%
Furniture and equipment	276,608	262,393	60,314	51,800	336,922	314,193	7.23%
Total	\$ 1,799,420	1,891,889	60,314	51,800	1,859,734	1,943,689	-4.32%

Long-Term Debt

At year-end, the District had \$179,649 in long-term debt outstanding. This represents an increase of approximately 5.49% percent from last year (See Figure A-7). Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

The District had \$128,133 in termination benefits payable as of June 30, 2014 payable from the Management Levy Fund.

The District had total outstanding Net OPEB liability of \$51,516 as of June 30, 2014. Governmental activities accounts for \$51,202 of the total while Business Type activities account for the remaining \$314.

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
	Termination benefits	\$ 128,133	81,921	-	-	128,133	81,921
Compensated absences	-	46,224	-	4,715	-	50,939	-100.00%
Net OPEB liability	51,202	37,210	314	227	51,516	37,437	37.61%
Totals	\$ 179,335	165,355	314	4,942	179,649	170,297	5.49%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- On February 5, 2013, residents of Rockwell City-Lytton Community School District and Southern Cal Community School District passed a resolution to merge the two Districts. The two districts were officially merged as of July 1, 2014 forming the South Central Calhoun Community School District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT

Basic Financial Statements

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,488,761	141,845	3,630,606
Receivables:			
Property tax:			
Delinquent	28,274	-	28,274
Accounts	4,864	-	4,864
Due from other governments	694,982	-	694,982
Inventories	-	2,534	2,534
Capital assets, net of accumulated depreciation	1,799,420	60,314	1,859,734
TOTAL ASSETS	6,016,301	204,693	6,220,994
LIABILITIES			
Accounts payable	241,747	-	241,747
Advances from grantors	177	-	177
Unearned revenue	-	4,679	4,679
Long-term liabilities:			
Portion due within one year:			
Termination benefits	95,052	-	95,052
Portion due after one year:			
Termination benefits	33,081	-	33,081
Net OPEB liability	51,202	314	51,516
TOTAL LIABILITIES	421,259	4,993	426,252
NET POSITION			
Net investment in capital assets	1,799,420	60,314	1,859,734
Restricted for:			
Categorical funding	113,826	-	113,826
School infrastructure	1,061,809	-	1,061,809
Physical plant and equipment	160,467	-	160,467
Management levy	116,645	-	116,645
Unrestricted	2,342,875	139,386	2,482,261
TOTAL NET POSITION	\$ 5,595,042	199,700	5,794,742

SEE NOTES TO FINANCIAL STATEMENTS.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,139,748	287,132	32,713	(1,819,903)	-	(1,819,903)
Special	746,935	323,100	38,683	(385,152)	-	(385,152)
Other	555,778	11,845	129,439	(414,494)	-	(414,494)
	<u>3,442,461</u>	<u>622,077</u>	<u>200,835</u>	<u>(2,619,549)</u>	<u>-</u>	<u>(2,619,549)</u>
Support services:						
Student	112,718	-	-	(112,718)	-	(112,718)
Instructional staff	49,027	-	-	(49,027)	-	(49,027)
Administration	604,641	-	-	(604,641)	-	(604,641)
Operation and maintenance of plant	384,579	-	-	(384,579)	-	(384,579)
Transportation	267,084	-	453	(266,631)	-	(266,631)
	<u>1,418,049</u>	<u>-</u>	<u>453</u>	<u>(1,417,596)</u>	<u>-</u>	<u>(1,417,596)</u>
Non-instructional programs:						
Other enterprise operations	335	-	-	(335)	-	(335)
Other expenses:						
AEA flowthrough	188,470	-	188,470	-	-	-
Depreciation(unallocated)*	117,373	-	-	(117,373)	-	(117,373)
	<u>305,843</u>	<u>-</u>	<u>188,470</u>	<u>(117,373)</u>	<u>-</u>	<u>(117,373)</u>
Total governmental activities	<u>5,166,688</u>	<u>622,077</u>	<u>389,758</u>	<u>(4,154,853)</u>	<u>-</u>	<u>(4,154,853)</u>
Business type activities:						
Support services:						
Administration	456	-	-	-	(456)	(456)
Operation and maintenance of plant	1,822	-	-	-	(1,822)	(1,822)
Total support services	<u>2,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,278)</u>	<u>(2,278)</u>
Non-instructional programs:						
Food service operations	311,729	171,966	188,476	-	48,713	48,713
Total business type activities	<u>314,007</u>	<u>171,966</u>	<u>188,476</u>	<u>-</u>	<u>46,435</u>	<u>46,435</u>
Total primary government	<u>\$ 5,480,695</u>	<u>794,043</u>	<u>578,234</u>	<u>(4,154,853)</u>	<u>46,435</u>	<u>(4,108,418)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,274,370	-	2,274,370
Capital outlay				66,939	-	66,939
Statewide sales, services and use tax				414,234	-	414,234
Unrestricted state grants				2,213,440	-	2,213,440
Unrestricted investment earnings				4,388	67	4,455
Other general revenues				49,769	1,947	51,716
Total general revenues				<u>5,023,140</u>	<u>2,014</u>	<u>5,025,154</u>
Change in net position				868,287	48,449	916,736
Net position beginning of year				4,726,755	151,251	4,878,006
Net position end of year				<u>\$ 5,595,042</u>	<u>199,700</u>	<u>5,794,742</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Nonmajor: Management Levy	Total
ASSETS				
Cash and pooled investments	\$ 2,223,984	1,020,722	244,055	3,488,761
Receivables:				
Property tax				
Delinquent	26,720	831	723	28,274
Accounts	4,864	-	-	4,864
Due from other governments	494,259	200,723	-	694,982
TOTAL ASSETS	\$ 2,749,827	1,222,276	244,778	4,216,881
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 241,747	-	-	241,747
Advances from grantors	177	-	-	177
Total liabilities	241,924	-	-	241,924
Fund balances:				
Restricted for:				
Categorical funding	113,826	-	-	113,826
School infrastructure	-	1,061,809	-	1,061,809
Physical plant and equipment	-	160,467	-	160,467
Management levy	-	-	244,778	244,778
Unassigned	2,394,077	-	-	2,394,077
Total fund balances	2,507,903	1,222,276	244,778	3,974,957
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,749,827	1,222,276	244,778	4,216,881

SEE NOTES TO FINANCIAL STATEMENTS.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$	3,974,957
<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 in the governmental funds.		1,799,420
Long-term liabilities, including termination benefits payable, 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>(179,335)</u>
Net position of governmental activities(page 18)	\$	<u><u>5,595,042</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Nonmajor: Management Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,214,426	66,939	59,944	2,341,309
Tuition	556,492	-	-	556,492
Other	118,670	506	3,238	122,414
State sources	2,466,116	414,264	27	2,880,407
Federal sources	134,353	-	-	134,353
Total revenues	<u>5,490,057</u>	<u>481,709</u>	<u>63,209</u>	<u>6,034,975</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,102,927	10,377	26,702	2,140,006
Special	727,673	-	-	727,673
Other	548,047	-	-	548,047
	<u>3,378,647</u>	<u>10,377</u>	<u>26,702</u>	<u>3,415,726</u>
Support services:				
Student	115,176	-	-	115,176
Instructional staff	41,958	-	-	41,958
Administration	531,995	3,600	66,100	601,695
Operation and maintenance of plant	297,275	7,083	35,729	340,087
Transportation	211,293	83,931	9,139	304,363
	<u>1,197,697</u>	<u>94,614</u>	<u>110,968</u>	<u>1,403,279</u>
Non-instructional programs:				
Other enterprise operations	335	-	-	335
Capital outlay	-	52,429	-	52,429
Other expenditures:				
AEA flowthrough	188,470	-	-	188,470
Total expenditures	<u>4,765,149</u>	<u>157,420</u>	<u>137,670</u>	<u>5,060,239</u>
Change in fund balances	724,908	324,289	(74,461)	974,736
Fund balances beginning of year	<u>1,782,995</u>	<u>897,987</u>	<u>319,239</u>	<u>3,000,221</u>
Fund balances end of year	<u>\$ 2,507,903</u>	<u>1,222,276</u>	<u>244,778</u>	<u>3,974,957</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Change in fund balances - total governmental funds(page 22) \$ 974,736

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

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

Capital outlays	\$ 95,610	
Depreciation expense	(188,079)	(92,469)

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.

Termination benefits	(13,992)	
Compensated absences	46,224	
Other postemployment benefits	(46,212)	(13,980)

Changes in net position of governmental activities(page 19) \$ 868,287

SEE NOTES TO FINANCIAL STATEMENTS.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Enterprise, School Nutrition
<u>ASSETS</u>	
Current assets:	
Cash and pooled investments	\$ 141,845
Inventories	2,534
Capital assets, net of accumulated depreciation	60,314
TOTAL ASSETS	204,693
 <u>LIABILITIES</u>	
Unearned revenue	4,679
Net OPEB liability	314
TOTAL LIABILITIES	4,993
 <u>NET POSITION</u>	
Net investment in capital assets	60,314
Unrestricted	139,386
Total net position	\$ 199,700

SEE NOTES TO FINANCIAL STATEMENTS.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise, School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 171,966
Miscellaneous	1,947
TOTAL OPERATING REVENUES	173,913
OPERATING EXPENSES:	
Support services:	
Administration:	
Salaries	391
Benefits	65
	456
Operation and maintenance of plant:	
Services	1,822
Total support services	2,278
Non-instructional programs:	
Food service operations:	
Salaries	113,289
Benefits	21,699
Services	22,337
Supplies	145,622
Depreciation	7,938
Other	280
	311,165
TOTAL OPERATING EXPENSES	313,443
OPERATING LOSS	(139,530)
NON-OPERATING REVENUES(EXPENSES):	
Loss on disposal of capital assets	(564)
State sources	3,221
Federal sources	185,255
Interest on investments	67
TOTAL NON-OPERATING REVENUES(EXPENSES)	187,979
Change in net position	48,449
Net position beginning of year	151,251
Net position end of year	\$ 199,700

SEE NOTES TO FINANCIAL STATEMENTS.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Enterprise, School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 172,800
Cash received from miscellaneous operating activities	1,947
Cash payments to employees for services	(142,443)
Cash payments to suppliers for goods or services	(152,932)
Net cash used in operating activities	<u>(120,628)</u>
Cash flows from non-capital financing activities:	
State grants received	3,221
Federal grants received	168,600
Net cash provided by non-capital financing activities	<u>171,821</u>
Cash flows from investing activities:	
Interest on investments	<u>67</u>
Cash flows from capital financing activities:	
Purchase of assets	<u>(17,016)</u>
Net increase in cash and cash equivalents	34,244
Cash and cash equivalents at beginning of year	<u>107,601</u>
Cash and cash equivalents at end of year	<u>\$ 141,845</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (139,530)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	16,655
Depreciation	7,938
Decrease in inventories	474
Decrease in salaries and benefits payable	(2,371)
Increase in unearned revenue	834
Decrease in compensated absences	(4,715)
Increase in other postemployment benefits	87
Net cash used in operating activities	<u>\$ (120,628)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$16,655.

SEE NOTES TO FINANCIAL STATEMENTS.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Agency</u>
ASSETS	
Cash and pooled investments	<u>\$ 631</u>
LIABILITIES	
Due to other groups	<u>\$ 631</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows or resources, liabilities and deferred inflows of resources 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/amortization 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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

The District also reports the following major proprietary fund:

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

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund includes the following:

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

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measureable 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 judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 - restricted 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, Deferred Inflows of Resources and Fund Balances

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

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

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

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

Inventories - 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, machinery, 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more
Furniture and equipment	5-12 years

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

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The

compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Deferred inflows or resources 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.

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

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$482,693 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were both rated AAA by Standard & Poor's Financial Services.

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 92,000	-	-	92,000
Total capital assets not being depreciated	<u>92,000</u>	-	-	<u>92,000</u>
Capital assets being depreciated:				
Buildings	3,922,781	-	-	3,922,781
Land improvements	1,064,487	10,689	-	1,075,176
Furniture and equipment	2,078,328	84,921	-	2,163,249
Total capital assets being depreciated	<u>7,065,596</u>	<u>95,610</u>	-	<u>7,161,206</u>
Less accumulated depreciation for:				
Buildings	2,769,344	89,419	-	2,858,763
Land improvements	680,428	27,954	-	708,382
Furniture and equipment	1,815,935	70,706	-	1,886,641
Total accumulated depreciation	<u>5,265,707</u>	<u>188,079</u>	-	<u>5,453,786</u>
Total capital assets being depreciated, net	<u>1,799,889</u>	<u>(92,469)</u>	-	<u>1,707,420</u>
Governmental activities capital assets, net	<u>\$ 1,891,889</u>	<u>(92,469)</u>	-	<u>1,799,420</u>
Business type activities:				
Furniture and equipment	\$ 111,040	17,016	5,159	122,897
Less accumulated depreciation	59,240	7,938	4,595	62,583
Total accumulated depreciation	<u>\$ 51,800</u>	<u>9,078</u>	<u>564</u>	<u>60,314</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Special	\$ 720
Other	7,401
Support services:	
Instructional staff	7,053
Administration	300
Operation and maintenance of plant	11,830
Transportation	43,402
	<u>70,706</u>
Unallocated depreciation	117,373
Total governmental activities depreciation expense	<u>\$ 188,079</u>
Business type activities:	
Food service operations	<u>\$ 7,938</u>

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
Termination benefits	\$ 81,921	70,632	24,420	128,133	95,052
Compensated absences	46,224	-	46,224	-	-
Net OPEB Liability	37,210	13,992	-	51,202	-
Total	<u>\$ 165,355</u>	<u>84,624</u>	<u>70,644</u>	<u>179,335</u>	<u>95,052</u>
<u>Business Type Activities:</u>					
Compensated absences	\$ 4,715	-	4,715	-	-
Net OPEB Liability	227	87	-	314	-
Total	<u>\$ 4,942</u>	<u>87</u>	<u>4,715</u>	<u>314</u>	<u>-</u>

Termination Benefits

During the fiscal 2009, 2011 and 2014 years the District offered a voluntary early retirement plan to its certified employees and support staff. The plans were only offered to employees for one year. Eligible employees must be at least age fifty-five before July 1 of the year the application for early retirement is submitted. Employees must have completed twenty years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

For retirees at the end of the 2009 fiscal year the termination benefit for each retiree was a one-time cash payment of \$10,000, \$25 for each unused sick day and the District contributes \$491 per month to that employee's health insurance premiums until the time they reach 65 years of age. For the retiree at the end of the 2011 fiscal year the termination benefit for each retiree was a one-time cash payment of \$10,000, \$25 for each unused sick day and the District contributes \$562 per month to that employee's health insurance premiums until the time they reach 65 years of age. For the retirees at the end of the 2014 fiscal year the termination benefit for each retiree was a one-time cash payment equal to one-third of their salary schedule placement included TSS funds in the year of retirement. The fiscal year 2014 retirees will receive their payment in one installment on or before November 20, 2014.

At June 30, 2014, the District has obligations to eight participants with a total liability of \$128,133. Actual termination benefit expenditures for the year ended June 30, 2014 totaled \$24,420. The cost of termination benefit payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

Note 5. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. There are 24 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 ISEBA. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 23,881
Interest on net OPEB obligation	936
Adjustment to annual required contribution	(4,339)
Annual OPEB cost	<u>20,478</u>
Contributions made	(6,399)
Increase in net OPEB obligation	<u>14,079</u>
Net OPEB obligation beginning of year	<u>37,437</u>
Net OPEB obligation end of year	<u><u>\$ 51,516</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 13,151	51.62	% \$ 20,729
2013	20,927	20.16	37,437
2014	20,478	31.25	51,516

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$85,613 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$85,613. The covered payroll (annual payroll of active employees covered by the plan) was \$1,509,010, and the ratio of the UAAL to covered payroll was 5.64%. As of June 30, 2014, 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 entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 6. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$284,150, \$245,336, and \$226,518 respectively, equal to the required contributions for each year.

Note 7. Risk Management

The District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: dental and long-term disability. District contributions to ISEBA for the year ended June 30, 2014 were \$239,737.

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

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$188,470 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Categorical Funding

The District's restricted balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
At-Risk supplemental weighting	\$ 24,745
Market factor	2,910
Four-year old preschool state aid	16,724
Market factor incentives	4,148
Child development	43,887
Successful progression for early readers	14,660
Teacher leadership grants	6,752
Total	<u>\$ 113,826</u>

Note 10. District Consolidation

On February 5, 2013, residents of Rockwell City-Lytton Community School District and Southern Cal Community School District passed a resolution to merge the two Districts. The two districts were officially merged as of July 1, 2014 forming the South Central Calhoun Community School District.

Note 11. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No 68, Accounting and Financial Reporting for Pensions - an Amendment to GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Note 12. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position are as follows:

	<u>Invested in Capital Assets</u>	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	244,778	2,394,077
Invested in capital assets, net of accumulated depreciation	1,799,420	-	-
Termination Benefits	-	(128,133)	-
Net OPEB Liability	-	-	(51,202)
Net position (Exhibit A)	<u>\$ 1,799,420</u>	<u>116,645</u>	<u>2,342,875</u>

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT

Required Supplementary Information

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 3,020,215	173,980	3,194,195	4,808,453	4,808,453	(1,614,258)
State sources	2,880,407	3,221	2,883,628	2,371,520	2,371,520	512,108
Federal sources	134,353	185,255	319,608	317,000	317,000	2,608
Total revenues	6,034,975	362,456	6,397,431	7,496,973	7,496,973	(1,099,542)
Expenditures/Expenses:						
Instruction	3,415,726	-	3,415,726	5,160,923	5,160,923	1,745,197
Support services	1,403,279	2,278	1,405,557	4,088,859	4,088,859	2,683,302
Non-instructional programs	335	311,165	311,500	1,034,237	1,034,237	722,737
Other expenditures	240,899	-	240,899	504,075	504,075	263,176
Total expenditures/expenses	5,060,239	313,443	5,373,682	10,788,094	10,788,094	5,414,412
Excess of revenues over expenditures/expenses	974,736	49,013	1,023,749	(3,291,121)	(3,291,121)	4,314,870
Other financing uses	-	(564)	(564)	-	-	(564)
Excess of revenues and other financing sources over expenditures/expenses	974,736	48,449	1,023,185	(3,291,121)	(3,291,121)	4,314,306
Balances beginning of year	3,000,221	151,251	3,151,472	3,515,569	3,515,569	(364,097)
Balances end of year	\$ 3,974,957	199,700	4,174,657	224,448	224,448	3,950,209

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$ -	\$ 122,179	\$ 122,179	0.0 %	\$ 1,066,000	11.46 %
2011	July 1, 2009	-	117,274	117,274	0.0	1,197,000	9.55
2012	July 1, 2009	-	114,274	114,274	0.0	1,209,207	9.45
2013	July 1, 2012	-	100,437	100,437	0.0	1,080,728	9.29
2014	July 1, 2012	-	85,163	85,163	0.0	1,509,010	5.64

See Note 5 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 861,086	159,636	1,020,722
Receivables:			
Property tax:			
Delinquent	-	831	831
Due from other governments	200,723	-	200,723
TOTAL ASSETS	\$ 1,061,809	160,467	1,222,276
LIABILITIES AND FUND BALANCES			
Liabilities:	\$ -	-	-
Fund balances:			
Restricted for:			
School infrastructure	1,061,809	-	1,061,809
Physical plant and equipment	-	160,467	160,467
Total fund balances	1,061,809	160,467	1,222,276
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,061,809	160,467	1,222,276

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	66,939	66,939
Other	506	-	506
State sources	414,234	30	414,264
TOTAL REVENUES	414,740	66,969	481,709
EXPENDITURES:			
Current:			
Instruction			
Regular	10,377	-	10,377
Support services:			
Administration	3,600	-	3,600
Operation and maintenance of plant	7,083	-	7,083
Transportation	3,005	80,926	83,931
Capital outlay	52,429	-	52,429
TOTAL EXPENDITURES	76,494	80,926	157,420
Change in fund balances	338,246	(13,957)	324,289
Fund balances beginning of year	723,563	174,424	897,987
Fund balances end of year	<u>\$ 1,061,809</u>	<u>160,467</u>	<u>1,222,276</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITES
AGENCY FUND
YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 528	417	314	631
LIABILITIES				
Due to other groups	\$ 528	417	314	631

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 2,341,309	2,705,694	2,807,471	2,851,543	2,603,793	2,252,796	1,964,807	1,992,488	1,687,508	1,564,352
Tuition	556,492	569,534	887,665	299,705	265,388	241,541	283,393	223,674	210,691	128,190
Other	122,414	196,384	620,912	409,829	421,742	331,071	286,213	317,819	402,903	319,369
Intermediate sources	-	-	-	-	-	-	-	-	-	1,404
State sources	2,880,407	2,372,242	2,308,054	1,980,321	1,958,913	2,388,024	2,190,480	2,196,873	2,161,904	2,186,918
Federal sources	134,353	191,913	202,988	198,542	412,807	166,721	147,238	146,545	155,607	164,269
Total	\$ 6,034,975	6,035,767	6,827,090	5,739,940	5,662,643	5,380,153	4,872,131	4,877,399	4,618,613	4,364,502
Expenditures:										
Instruction:										
Regular	\$ 2,140,006	2,325,667	2,968,522	2,204,959	1,962,439	2,356,905	2,166,862	2,085,360	1,891,028	1,875,677
Special	727,673	662,309	573,244	482,808	482,257	561,012	553,393	454,385	483,038	431,196
Other	548,047	544,280	530,600	614,059	816,995	839,233	603,167	570,574	615,451	593,906
Support services:										
Student	115,176	122,253	179,012	119,342	51,646	52,991	160,507	165,587	143,896	138,557
Instructional staff	41,958	53,840	93,714	101,971	107,498	102,894	114,508	124,663	131,507	119,087
Administration	601,695	610,099	830,974	657,881	604,972	618,598	581,393	516,578	550,555	537,626
Operation and maintenance of plant	340,087	430,991	342,140	368,216	328,921	403,425	451,085	388,332	382,870	332,561
Transportation	304,363	234,359	306,256	224,131	288,525	190,569	178,534	229,630	189,952	193,631
Non-instructional programs	335	45	-	130	96	196	220	262	299	396
Capital outlay	52,429	288,864	334,725	220,706	45,617	47,367	168,626	116,775	99,357	139,194
Other expenditures:										
AEA flow-through	188,470	181,303	177,842	197,481	198,450	183,003	171,748	168,724	163,182	161,511
Total	\$ 5,060,239	5,454,010	6,337,029	5,191,684	4,887,416	5,356,193	5,150,043	4,820,870	4,651,135	4,523,342

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT

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

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

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

We have audited 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 Rockwell City-Lytton Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated OPINION DATE.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rockwell City-Lytton 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 Rockwell City-Lytton Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Rockwell City-Lytton 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, we identified deficiencies in internal control we consider to be a 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 deficiency described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-14 and I-C-14 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rockwell City-Lytton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Rockwell City-Lytton Community School District's Responses to Findings

Rockwell City-Lytton Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Rockwell City-Lytton 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 Rockwell City-Lytton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

December 12, 2014
Newton, Iowa

ROCKWELL CITY-LYTTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.

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

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

Conclusion - Response accepted.

I-B-14 Purchase Orders - We noted during our audit several instances of transactions processed without purchase orders.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will work towards a better system for having all purchase orders approved prior to the ordering of supplies.

Conclusion - Response accepted.

I-C-14 Agency Fund - We noted during our audit that the District utilizes an Agency Fund according to Chapter 9 of the LEA Administrative Manual, "Agency Funds are used to account for assets received and held as an agent for individuals, private organizations, or other governments. Agency Funds could include money collected for another government, a grant consortium when the district serves as fiscal agent for the other districts but has no managerial responsibilities, and funds for a teacher or parent-teacher organization which has its own Federal Identification Number. The District acts as a custodian of the assets and not an owner. Agency Funds may be created when an organization which is related to the operation of the District place certain assets into the custody of the District. The District renders a service, as custodian, for the organization providing the assets. Agency Funds typically involve only the receipt, temporary investment and remittance of assets their rightful owners. Moneys owned by the District would not be accounted for in the Agency Fund".

The District appears to be improperly accounting for agency accounts. We noted staff pop accounts are reported in the Agency Fund. The revenues collected on the premises of the school are generally considered School proceeds and should be reported appropriately in the District records. The District has control of the vending machines and therefore the profit should be reported and accounted for in the District records. Agency Funds are to account for non-district revenue.

Recommendation - The District should review Chapter 9 of the LEA Administrative Manual which identifies funds and allowable revenues and expenses. The District should make the necessary entries to move the remaining monies in the agency fund to the District's General Fund.

Response - The District will no longer utilize the agency fund.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 did not exceed the amounts budgeted.

II-B-14 Questionable Disbursements - We noted no expenditures that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-14 Business Transactions - No business transactions between the District and District officials were noted.

II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we did note an instance where the Board entered closed sessions during District meetings, but did not identify and document the specific exemption allowed under Chapter 21.5 of the Code of Iowa.

Recommendation - The District should identify the specific exemption for entering a closed session, and document the exemption allowed under Chapter 21.5 of the Code of Iowa in the District's Board Minutes.

Response - The District will follow current laws when entering into closed sessions in the future.

Conclusion - Response accepted.

II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. However, we noted a significant variance in the amounts of receivables reported in the District's General Fund. The District has made subsequent adjustments to include the appropriate amount on the District's financial statements. These adjustments are reflected in the audit report.

Recommendation - The District should review and make the necessary adjustments to receivables recorded on the District's financial statements in order to reflect the appropriate amount due to the District at the end of the fiscal year prior to submission of the Certified Annual Report to the Department of Education.

Response - The District will review and make necessary adjustments to all financials before submission of the Certified Annual Report to the Department of Education in the future.

Conclusion - Response accepted.

II-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-14 Statewide Sales, Services and Use Tax - We noted the District paid \$1,655 for repainting and repairs to the District's football field from the Capital Projects: Statewide Sales, Services and Use tax Fund. These expenditures appear to be routine maintenance on the District's football field. Chapter 298.3 of the Code of Iowa does not specify routine maintenance as an allowable Capital Projects/PPEL type expenditure.

Recommendation - The District should review the revenue purpose statement for the use of statewide sales, services and use tax as well as Chapter 298.3 of the Code of Iowa with regard to allowable expenditures from PPEL Funds to avoid noncompliance.

Response - The District will use the appropriate funds in the future when paying expenditures as allowed by the Code of Iowa.

Conclusion - Response accepted.

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, 2014, the following information includes amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit.

Beginning Balance		\$ 723,563
Revenues:		
Sales tax revenues	\$ 414,234	
Other local revenues	506	414,740
		<u>1,138,303</u>
Expenditures:		
School infrastructure construction	52,429	
Equipment	14,778	
Other	9,287	76,494
		<u>76,494</u>
Ending balance		<u>\$ 1,061,809</u>

For the year ended June 30, 2014 the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

II-M-14 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District will look into all outstanding checks and determine the appropriate action to take for each one.

Conclusion - Response accepted.