

**RUTHVEN-AYRSHIRE
COMMUNITY SCHOOL DISTRICT**

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

JUNE 30, 2015

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Ruthven-Ayrshire Community School District



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ruthven-Ayrshire Community School District
Fort Dodge, Iowa

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 Ruthven-Ayrshire Community School District, as of and for the year ended June 30, 2015, 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 the 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 Ruthven-Ayrshire Community School District as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 11 to the financial statements, Ruthven-Ayrshire Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management’s Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District’s Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 44 through 50 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 Ruthven-Ayrshire Community School District’s basic financial statements. We and other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2016 on our consideration of Ruthven-Ayrshire 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 Ruthven-Ayrshire Community School District's internal control over financial reporting and compliance.

Schnur & Company, LLP

Fort Dodge, Iowa
January 12, 2016

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ruthven-Ayrshire 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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,988,224 in fiscal year 2014 to \$2,799,703 in fiscal year 2015, while General Fund expenditures increased from \$2,754,157 in fiscal year 2014 to \$2,906,230 in fiscal year 2015. This District's General Fund balance decreased from \$856,334 at the end of fiscal year 2014 to \$749,807 at the end of fiscal year 2015, a 12% decrease.
- The fiscal year 2015 General Fund revenue decrease was attributable to decreases in property, income taxes and less students open enrolled in. The increase in expenditures was due primarily to management budgeting for negotiated salaries and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because negotiated salaries and benefits increased, especially in student support services.
- A decline in interest rates during the past three years, combined with consistent levels of cash available to be invested, resulted in interest earning in the General Fund alone decreasing from \$2,184 in fiscal year 2014 to \$1,818 in fiscal year 2015.

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 Ruthven-Ayrshire 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 the District's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT (CONTINUED)

Reporting the District's Financial Activities

Government-wide Financial Statements

The government-wide 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 revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – 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 or 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 it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT (Continued)

Reporting the District's Financial Activities (continued)

Fund Financial Statements (continued)

- 1) *Governmental funds (continued)*: Most of the required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.
- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

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

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-1 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-1							
Condensed Statement of Net Position							
	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Total</u>
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>		<u>Change</u>
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Assets							
Current and other assets	\$ 4,231,634	\$ 4,013,684	\$ 8,788	\$ 19,448	\$ 4,240,422	\$ 4,033,132	5.1%
Capital assets, net of accumulated depreciation	975,412	982,107	22,076	21,505	997,488	1,003,612	-0.6%
Total assets	5,207,046	4,995,791	30,864	40,953	5,237,910	5,036,744	4.0%
Deferred outflow of resources	155,882	-	4,842	-	160,724	-	100.00%
Liabilities							
Long-term liabilities	1,077,023	316,252	23,817	-	1,100,840	316,252	248.1%
Other liabilities	402,921	327,897	2,139	-	405,060	327,897	23.5%
Total liabilities	1,479,944	644,149	25,956	-	1,505,900	644,149	133.8%
Deferred inflow of resources	1,658,542	1,311,483	12,294	2,432	1,670,836	1,313,915	27.2%
Net Position							
Invested in capital assets, net of related debt	975,412	982,107	22,076	21,505	997,488	1,003,612	-0.6%
Restricted	1,840,511	1,576,108	-	-	1,840,511	1,576,108	16.8%
Unrestricted	(589,342)	481,944	(24,620)	17,016	(613,962)	498,960	-223.0%
Total net position	\$ 2,226,581	\$ 3,040,159	\$ (2,544)	\$ 38,521	\$ 2,224,037	\$ 3,078,680	-27.8%

The District's total net position decreased 27.8%, or approximately \$855,000, from the prior year. The largest portion of the District's net position is restricted for capital projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$51,000, or 3.2%, over the prior year. The increase was primarily a result of decreased expenditures in 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 – decreased approximately \$900,000, or 180%. This reduction in unrestricted net position was primarily a result of the District's net pension liability recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$1,015,125 and \$31,532, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-2 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014:

	Governmental Activities		Business Type Activities		Total District		Total Change 2014-2015
	2014		2014		2014		
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 288,908	\$ 316,551	\$ 46,172	\$ 48,069	\$ 335,080	\$ 364,620	-8.1%
Operating grants, contributions	454,165	429,115	62,302	66,375	516,467	495,490	4.2%
Capital grants and contributions	2,073	2,478	-	-	2,073	2,478	-16.3%
General revenues:							
Property tax	1,424,322	1,655,752	-	-	1,424,322	1,655,752	-14.0%
Statewide sales, services and use tax	216,762	227,813	-	-	216,762	227,813	-4.9%
Unrestricted state grants	1,023,062	971,788	-	-	1,023,062	971,788	5.3%
Unrestricted investment earnings	3,705	4,338	1	2	3,706	4,340	-14.6%
Other	48,216	23,464	121	2,286	48,337	25,750	87.7%
Total revenues	3,461,213	3,631,299	108,596	116,732	3,569,809	3,748,031	-4.8%
Program expenses:							
Instruction	2,161,642	2,182,681	-	-	2,161,642	2,182,681	-1.0%
Student support services	909,027	755,361	-	-	909,027	755,361	20.3%
Non-instructional programs	-	-	118,129	125,003	118,129	125,003	-5.5%
Other expenses	188,997	159,798	-	-	188,997	159,798	18.3%
Total expenses	3,259,666	3,097,840	118,129	125,003	3,377,795	3,222,843	4.8%
Increase (decrease) in net position	201,547	533,459	(9,533)	(8,271)	192,014	525,188	-63.4%
Net position beginning of year, as restated	2,025,034	2,506,700	6,989	46,792	2,032,023	2,553,492	-20.4%
Net position end of year	\$ 2,226,581	\$ 3,040,159	\$ (2,544)	\$ 38,521	\$ 2,224,037	\$ 3,078,680	-27.8%

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

In fiscal year 2015, property tax and unrestricted state grants accounted for 70.7% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue. The District's total revenues were approximately \$3.6 million, of which approximately \$3.5 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 4.8% decrease in revenues and a 4.8% increase in expenses. Property tax decreased \$231,430 or approximately 14.0%. The increase in expenses is related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$3,461,213 and expenses were \$3,259,666 for the year ended June 30, 2015. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014	Change 2014-2015	2015	2014	Change 2014-2015
Instructional	\$ 2,161,642	\$ 2,182,681	-1.0%	\$ 1,581,254	\$ 1,609,476	-1.8%
Support	909,027	755,361	20.3%	849,969	686,281	23.9%
Other expenses	188,997	159,798	18.3%	83,297	53,939	54.4%
Total	\$ 3,259,666	\$ 3,097,840	5.2%	2,514,520	\$ 2,349,696	7.0%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$288,908.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$456,238.
- The net cost of governmental activities was financed with \$1,641,084 in property and other taxes and \$1,023,062 in unrestricted state grants.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$108,596, representing a 7% decrease over the prior year, while expenses totaled \$118,129, a 5% decrease over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, state reimbursement and investment income.

During the year ended June 30, 2015, the District experienced a decrease in the number of student served by the School Nutrition program. The reduction in students served along with a decrease in state nutrition funding during the year, resulted in an overall reduction in the School Nutrition Fund net position.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,388,587, well above last year's ending fund balances of \$2,257,569. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2015 is due to approximately \$124,000 of excess in revenues over expenditures in the management fund levy during fiscal year 2015.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in unrestricted state grants and miscellaneous income was not enough to offset reduction in local property tax. The decrease in revenues along with the increase in General Fund expenditures requires the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$856,334 to \$749,807 due, in part, to the negotiated salaries and benefits and managing existing expenditure commitments of the District.
- The Capital Projects Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Project Fund will be used for future capital improvements and equipment purchases.
- The Physical Plant and Equipment Levy fund balance decreased from \$426,973 at June 30, 2014 to \$388,955 at June 30, 2015. Growth during the year in tax revenue was not enough to offset capital improvements made during the year.
- The Statewide Sales, Services and Use Tax fund balance increased from \$663,676 at June 30, 2014 to \$814,202 at June 30, 2015. Reduction in sales tax revenues during the year were offset due to management controlling capital expenditures in this fund for the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDIVIDUAL FUND ANALYSIS (CONTINUED)

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$6,989 at June 30, 2014 to \$(5,120) at June 30, 2015, representing a decrease of approximately 173%. For fiscal year 2015, the number of students served declined, which led to decreased revenues and the School Nutrition Fund to experience a decline in net position during the year. The decline in revenues was partially offset by a reduction in expenditures during the year. However, the District also reflected the related expenses for the net pension liability, which caused an overall reduction of net position.

BUDGETARY HIGHLIGHTS

Over the course of the year, Ruthven-Ayrshire Community School District amended its budget one time to reflect additional capital projects being completed during the summer months of the fiscal year.

The District's total revenues were \$156,161 less than total budgeted revenues, a variance of 4.2%. State sources increased in fiscal year 2015; a decrease in property and income surtaxes caused the total amount received to be less than originally anticipated.

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$997,488, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible assets. (See Figure A-4) This represents a net decrease of .6% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation/amortization expense for the year was \$150,220.

The original cost of the District's capital assets was approximately \$2,896,746. Governmental funds account for approximately \$2,806,701, with the remainder of approximately \$90,045 accounted for in the Proprietary, School Nutrition Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

The largest change in capital asset activity during the year occurred in the furniture and equipment category. The District's furniture and equipment category totaled \$1,247,822 at June 30, 2015, compared to \$1,107,596 reported at June 30, 2014. This significant increase resulted from the District purchasing new student computers during the year.

	Figure A-4 Assets, net of Depreciation						
	Governmental Activities		Business Type Activities		Total District		Total June 30, 2014-2015
	June 30,		June 30,		June 30,		
2015	2014	2015	2014	2015	2014		
Land	\$ 10,567	\$ 10,567	\$ -	\$ -	\$ 10,567	\$ 10,567	0%
Buildings	549,814	591,960	-	-	549,814	591,960	-7%
Improvements other than buildings	78,746	84,367	-	-	78,746	84,367	-7%
Furniture and equipment	336,285	295,213	22,076	21,505	358,361	316,718	13%
Total	\$ 975,412	\$ 894,085	\$ 22,076	\$ 25,209	\$ 997,488	\$ 1,003,612	-0.6%

Long-Term Debt

At June 30, 2015, the District had \$1,100,840 in total long-term debt outstanding. This represents a decrease of approximately 34% from last year (See Figure A-5). Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

	Figure A-5 Outstanding Long-term Obligations		
	Total District		Total Change June 30, 2013-2014
	June 30		
2015	2014		
Governmental activities:			
Compensated absences	\$ 9,156	\$ 5,170	77.1%
Early retirement	213,364	234,093	-8.9%
Net pension liability	766,761	1,128,100	-32.0%
Net OPEB liability	87,742	76,989	14.0%
Total	\$ 1,077,023	\$ 1,444,352	-25.4%
Business type activities			
Net pension liability	\$ 23,817	\$ 35,041	-32.03%

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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:

- Palo Alto County has advised the District its total taxable valuation will increase 5.3% for property tax collected in fiscal year 2015 due to the recent completion of property revaluation assessments.
- The District expects a slight increase in enrollment due to open enrollments.
- The District continues to share academic staff with Spencer and Graettinger-Terrill Community School Districts. The District currently shares all athletic programs with Graettinger-Terrill Community School District. Along with partial day sharing (grades 9-12 for 5 periods per day) of students with Graettinger-Terrill Community School District.
- In fiscal year 2016, the District entered into a new agreement with the Teachers Association. Settlements in excess of "new money" or supplemental state aid will have an adverse effect on the District's General Fund budget and related fund balance.

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 Michelle Dowd, District Treasurer and Business Manager, Ruthven-Ayrshire Community School District, 1235 5th Avenue South, Fort Dodge, Iowa 50501.

BASIC FINANCIAL STATEMENTS

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,641,401	\$ 6,116	\$ 2,647,517
Receivables:			
Property tax:			
Delinquent	17,315	-	17,315
Succeeding year	1,321,128	-	1,321,128
Accounts	14,235	525	14,760
Income surtax	121,137	-	121,137
Due from other governments	116,418	-	116,418
Inventories	-	2,147	2,147
Due to/due from other funds	2,139	(2,139)	-
Capital assets (net of accumulated depreciation)	975,412	22,076	997,488
Total assets	5,209,185	28,725	5,237,910
Deferred Outflows of Resources			
Pension related deferred outflows	155,882	4,842	160,724

(Continued on next page)

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Exhibit A
(Continued)

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total
Liabilities			
Accounts payable	\$ 197,266	\$ -	\$ 197,266
Salaries and benefits payable	205,655	-	205,655
Long-term liabilities:			
Portion due or payable within one year:			
Termination benefits	39,568	-	39,568
Compensated absences	9,156	-	9,156
Portion due or payable after one year:			
Net OPEB liability	87,742	-	87,742
Net pension liability	766,761	23,817	790,578
Termination benefits	173,796	-	173,796
Total liabilities	1,479,944	23,817	1,503,761
Deferred Inflows of Resources			
Unavailable property tax revenue	1,321,128	-	1,321,128
Pension related deferred inflows	337,414	10,481	347,895
Other	-	1,813	1,813
Total deferred inflows of resources	1,658,542	12,294	1,670,836
Net Position			
Net investment in capital assets	975,412	22,076	997,488
Restricted for:			
Categorical funding	201,731	-	201,731
Management levy purposes	401,906	-	401,906
Student activities	33,717	-	33,717
Physical plant and equipment	814,202	-	814,202
School infrastructure	388,955	-	388,955
Unrestricted	(589,342)	(24,620)	(613,962)
Total net position	\$ 2,226,581	\$ (2,544)	\$ 2,224,037

See notes to financial statements.

RUTHVEN-AYRSHERE COMMUNITY SCHOOL DISTRICT

Statement of Activities

June 30, 2015

	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,520,260	\$ 162,068	\$ 228,849	\$ -
Special instruction	415,291	11,003	92,351	-
Other instruction	226,091	57,010	29,107	-
	<u>2,161,642</u>	<u>230,081</u>	<u>350,307</u>	<u>-</u>
Support services:				
Student	17,655	-	-	-
Instructional staff	38,817	-	-	-
Administration	399,386	58,827	-	-
Operation and maintenance of plant	266,766	-	-	-
Transportation	186,403	-	231	-
	<u>909,027</u>	<u>58,827</u>	<u>231</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	37,602	-	-	2,073
AEA flowthrough	103,627	-	103,627	-
Depreciation / amortization (unallocated)*	47,768	-	-	-
	<u>188,997</u>	<u>-</u>	<u>103,627</u>	<u>2,073</u>
Total governmental activities	<u>3,259,666</u>	<u>288,908</u>	<u>454,165</u>	<u>2,073</u>
Business type activities:				
Non-instructional programs:				
Food service operations	118,055	43,522	62,302	-
Community wellness center	74	2,650	-	-
Total business type activities	<u>118,129</u>	<u>46,172</u>	<u>62,302</u>	<u>-</u>
Total	<u>\$ 3,377,795</u>	<u>\$ 335,080</u>	<u>\$ 516,467</u>	<u>\$ 2,073</u>

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business Type Activities	Total
\$ (1,129,343)	\$ -	\$ (1,129,343)
(311,937)	-	(311,937)
(139,974)	-	(139,974)
<u>(1,581,254)</u>	<u>-</u>	<u>(1,581,254)</u>
(17,655)	-	(17,655)
(38,817)	-	(38,817)
(340,559)	-	(340,559)
(266,766)	-	(266,766)
(186,172)	-	(186,172)
<u>(849,969)</u>	<u>-</u>	<u>(849,969)</u>
(35,529)	-	(35,529)
-	-	-
(47,768)	-	(47,768)
<u>(83,297)</u>	<u>-</u>	<u>(83,297)</u>
<u>(2,514,520)</u>	<u>-</u>	<u>(2,514,520)</u>
-	(12,231)	(12,231)
-	2,576	2,576
-	<u>(9,655)</u>	<u>(9,655)</u>
<u>(2,514,520)</u>	<u>(9,655)</u>	<u>(2,524,175)</u>

(Continued on next page)

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2015

	Program Revenues		
Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
General Revenues:			
Property taxes levied for:			
General purposes			
Capital outlay			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net position			
Net position beginning of year, as restated			
Net position end of year			

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

See notes to financial statements.

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business Type Activities	Total
\$ 1,310,601	\$ -	\$ 1,310,601
113,721	-	113,721
216,762	-	216,762
1,023,062	-	1,023,062
3,705	1	3,706
48,216	121	48,337
<u>2,716,067</u>	<u>122</u>	<u>2,716,189</u>
201,547	(9,533)	192,014
<u>2,025,034</u>	<u>6,989</u>	<u>2,032,023</u>
<u>\$ 2,226,581</u>	<u>\$ (2,544)</u>	<u>\$ 2,224,037</u>

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2015

	Assets	General	Capital Projects
Cash and cash equivalents		\$ 1,021,015	\$ 1,179,883
Receivables:			
Property tax:			
Delinquent		12,533	1,473
Succeeding year		953,280	117,848
Accounts		14,085	-
Income surtax		121,137	-
Due from other funds		2,139	-
Due from other governments		80,674	35,744
Total assets		\$ 2,204,863	\$ 1,334,948
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable		\$ 174,984	\$ 13,943
Salaries and benefits payable		205,655	-
Total liabilities		380,639	13,943
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax		953,280	117,848
Income surtax		121,137	-
Total deferred inflows of resources		1,074,417	117,848
Fund balances:			
Restricted for:			
Categorical funding		201,731	-
Management levy purposes		-	-
Student activities		-	-
School infrastructure		-	814,202
Physical plant and equipment		-	388,955
Unassigned		548,076	-
Total fund balances		749,807	1,203,157
Total liabilities, deferred inflows of resources and fund balances		\$ 2,204,863	\$ 1,334,948

See notes to financial statements.

Exhibit C

Nonmajor		Total	
\$	440,503	\$	2,641,401
	3,309		17,315
	250,000		1,321,128
	150		14,235
	-		121,137
	-		2,139
	-		116,418
\$	693,962	\$	4,233,773

\$	8,339	\$	197,266
	-		205,655
	8,339		402,921

	250,000		1,321,128
	-		121,137
	250,000		1,442,265

	-		201,731
	401,906		401,906
	33,717		33,717
	-		814,202
	-		388,955
	-		548,076
	435,623		2,388,587

\$	693,962	\$	4,233,773
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**Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position**

June 30, 2015

Total governmental fund balances (page 18) \$ 2,388,587

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. 975,412

Long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 121,137

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 110,890	
Deferred inflows of resources	(292,422)	(181,532)
	<u> </u>	

Long-term liabilities, including compensated absences, other post-employment benefits payable and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (1,077,023)

Net position of governmental activities (page 15) \$ 2,226,581

See notes to financial statements.

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2015

	General	Capital Projects
Revenues:		
Local sources:		
Local tax	\$ 1,057,021	\$ 112,222
Tuition	140,673	-
Other	139,620	1,421
State sources	1,336,492	217,716
Federal sources	124,354	2,618
Total revenues	2,798,160	333,977
Expenditures:		
Current:		
Instruction:		
Regular	1,474,005	42,355
Special	420,938	-
Other	159,566	-
	2,054,509	42,355
Student support services:		
Student	17,655	-
Instructional staff	39,795	-
Administration	371,620	5,683
Operation and maintenance of plant	164,593	31,651
Student transportation	154,431	21,775
	748,094	59,109
Other expenditures:		
Facilities acquisition	-	120,005
AEA flowthrough	103,627	-
	103,627	120,005
Total expenditures	2,906,230	221,469
Excess (deficiency) of revenues over (under) expenditures	(108,070)	112,508

Exhibit E

<hr/>	
Nonmajor	Total
<hr/>	
\$ 250,678	\$ 1,419,921
-	140,673
69,145	210,186
2,142	1,556,350
1,224	128,196
<hr/> 323,189	<hr/> 3,455,326
<hr/>	
21,593	1,537,953
-	420,938
62,716	222,282
<hr/> 84,309	<hr/> 2,181,173
<hr/>	
-	17,655
-	39,795
33,452	410,755
73,271	269,515
7,120	183,326
<hr/> 113,843	<hr/> 921,046
<hr/>	
-	120,005
-	103,627
-	223,632
<hr/> 198,152	<hr/> 3,325,851
<hr/>	
125,037	129,475
<hr/>	

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RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2015

	General	Capital Projects
Excess (deficiency) of revenues over (under) expenditures	\$ (108,070)	\$ 112,508
Other financing sources:		
Special items	1,543	-
Total other financing sources	1,543	-
Change in fund balances	(106,527)	112,508
Fund balances, beginning of year	856,334	1,090,649
Fund balances, end of year	<u>\$ 749,807</u>	<u>\$ 1,203,157</u>

See notes to financial statements.

Exhibit E
(Continued)

Nonmajor	Total
<u>\$ 125,037</u>	<u>\$ 129,475</u>
-	1,543
<u>-</u>	<u>1,543</u>
125,037	131,018
<u>310,586</u>	<u>2,257,569</u>
<u>\$ 435,623</u>	<u>\$ 2,388,587</u>

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

Year Ended June 30, 2015

Change in fund balances - total governmental funds (page 21) \$ 131,018

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 and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 140,226	
Depreciation expense	(146,921)	(6,695)

Income surtaxes not collected for several months after the District's fiscal year-end are not considered available revenues in the governmental funds. 4,402

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	20,729	
Compensated absences	(3,986)	
Pension expense	66,832	
Other postemployment benefits	(10,753)	72,822

Change in net position of governmental activities (page 17) \$ 201,547

See notes to financial statements.

**Statement of Net Position
Proprietary Funds**

June 30, 2015

	Enterprise School Nutrition	Wellness Program	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 6,116	\$ -	\$ 6,116
Receivables	-	525	525
Inventories	2,147	-	2,147
Total current assets	8,263	525	8,788
Noncurrent assets:			
Capital assets, net of accumulated depreciation	17,886	4,190	22,076
Total assets	26,149	4,715	30,864
Deferred Outflows of Resources			
Pension related deferred outflows	4,842	-	4,842
Liabilities			
Current liabilities:			
Due to other funds	-	2,139	2,139
Total current liabilities	-	2,139	2,139
Noncurrent liabilities			
Net pension liability	23,817	-	23,817
Total liabilities	23,817	2,139	25,956
Deferred Inflows of Resources			
Pension related deferred inflows	10,481	-	10,481
Unearned revenues	1,813	-	1,813
Total deferred inflows of resources	12,294	-	12,294
Net Position			
Net investment in capital assets	17,886	4,190	22,076
Unrestricted	(23,006)	(1,614)	(24,620)
Total net position	\$ (5,120)	\$ 2,576	\$ (2,544)

See notes to financial statements.

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

Year ended June 30, 2015

	Enterprise School Nutrition	Wellness Program	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 43,643	\$ 2,650	\$ 46,293
Non-instructional programs:			
Food service operations:			
Salaries	39,824	-	39,824
Benefits	4,502	-	4,502
Purchased services	-	-	-
Supplies	70,110	-	70,110
Depreciation	3,619	-	3,619
Community Wellness Center:			
Depreciation	-	74	74
	<u>118,055</u>	<u>74</u>	<u>118,129</u>
Total operating expenses	<u>118,055</u>	<u>74</u>	<u>118,129</u>
Operating income (loss)	<u>(74,412)</u>	<u>2,576</u>	<u>(71,836)</u>
Non-operating revenues:			
State sources	879	-	879
Federal sources	61,423	-	61,423
Interest income	1	-	1
Total non-operating revenues	<u>62,303</u>	<u>-</u>	<u>62,303</u>
Increase (decrease) in net position	(12,109)	2,576	(9,533)
Net position beginning of year, as restated	<u>6,989</u>	<u>-</u>	<u>6,989</u>
Net position end of year	<u>\$ (5,120)</u>	<u>\$ 2,576</u>	<u>\$ (2,544)</u>

See notes to financial statements.

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2015

	Enterprise School Nutrition	Wellness Program	Total
Cash flows from operating activities			
Cash received from sale of lunches and breakfasts	\$ 50,366	\$ -	\$ 50,366
Cash received from sale of recreational memberships	-	2,125	2,125
Cash paid to employees for services	(46,402)	-	(46,402)
Cash paid to suppliers for goods or services	(62,299)	-	(62,299)
Net cash provided by (used in) operating activities	(58,335)	2,125	(56,210)
Cash flows from non-capital financing activities:			
State grants received	879	-	879
Federal grants received	52,725	-	52,725
Net cash provided by non-capital financing activities	53,604	-	53,604
Cash flows from capital and related financing activities:			
Advance from other funds	-	2,139	2,139
Acquisition of capital assets	-	(4,264)	(4,264)
Net cash (used in) capital and related financing activities	-	(2,125)	(2,125)
Cash flows from investing activities:			
Interest on investments	1	-	1
Net decrease in cash and cash equivalents	(4,730)	-	(4,730)
Cash and cash equivalents beginning of year	10,846	-	10,846
Cash and cash equivalents end of year	\$ 6,116	\$ -	\$ 6,116

(Continued on next page)

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

**Exhibit I
(Continued)**

**Statement of Cash Flows
Proprietary Funds**

Year ended June 30, 2015

	Enterprise School Nutrition	Wellness Program	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (74,412)	\$ 2,576	\$ (71,836)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Commodities used	8,079	-	8,079
Depreciation	3,619	74	3,693
Decrease (increase) in accounts receivable	6,723	(525)	6,198
Increase in inventories	(268)	-	(268)
Decrease in net pension liability	(11,224)	-	(11,224)
Increase in deferred outflows of resources	(1,333)	-	(1,333)
Increase in deferred inflows of resources	10,481	-	10,481
Net cash provided by (used in) operating activities	<u>\$ (58,335)</u>	<u>\$ 2,125</u>	<u>\$ (56,210)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$8,079 of federal commodities.

See notes to financial statements.

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Ruthven-Ayrshire Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Ruthven and Ayrshire, Iowa and the predominate agricultural territory in Palo Alto County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity:

For financial reporting purposes, Ruthven-Ayrshire 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. Ruthven-Ayrshire Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued):

Government-wide Financial Statements (continued) –

Restricted net position result 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 not meeting 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 that are 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 and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, including instructional, support and other costs.

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

The District reports the following major proprietary funds:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting:

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for the 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity:

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

Cash and Cash Equivalents – The cash balances of most District funds are pooled.

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1.50% penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity:

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

Land	\$	2,000
Buildings		10,000
Improvements other than buildings		10,000
Furniture and equipment:		
School Nutrition Fund equipment		500
Other furniture and equipment		2,000

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

<u>Asset Class</u>	Estimated Useful Lives (In Years)
Buildings	20-50
Improvements other than buildings	20-50
Furniture and equipment	5-15

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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

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 has been recorded when incurred in the governmental fund financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity:

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year-end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit these amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Cash and Investments

The District's deposits in banks at June 30, 2015, 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.

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,567	\$ -	\$ -	\$ 10,567
Total capital assets not being depreciated	10,567	-	-	10,567
Capital assets being depreciated:				
Buildings	1,315,480	-	-	1,315,480
Improvements other than buildings	232,832	-	-	232,832
Furniture and equipment	1,107,596	140,226	-	1,247,822
Total capital assets being depreciated	2,655,908	140,226	-	2,796,134
Less accumulated depreciation for:				
Buildings	723,520	42,146	-	765,666
Improvements other than buildings	148,465	5,621	-	154,086
Furniture and equipment	812,383	99,154	-	911,537
	1,684,368	146,921	-	1,831,289
Total capital assets being depreciated, net	971,540	(6,695)	-	964,845
Governmental activities capital assets, net	\$ 982,107	\$ (6,695)	\$ -	\$ 975,412
Business type activities:				
Furniture and equipment	\$ 85,781	\$ 4,264	\$ -	\$ 90,045
Less accumulated depreciation	64,276	3,693	-	67,969
Business type activities capital assets, net	\$ 21,505	\$ 571	\$ -	\$ 22,076

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 63,232
Other	4,203

Support services:

Instructional staff	209
Administration	713
Operation and maintenance of plant	2,989
Transportation	27,807

99,153

Unallocated

47,768

Total governmental activities depreciation expense

\$ 146,921

Business type activities:

Food service operations	\$ 3,619
Community wellness center	74

74

Total business type activities depreciation expense

\$ 3,693

Note 4. Changes in Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated absences	\$ 5,170	\$ 8,532	\$ 4,546	\$ 9,156	\$ 9,156
Termination benefits	234,093	-	20,729	213,364	39,568
Net pension liability	1,128,100	-	361,339	766,761	-
Net OPEB liability	76,989	10,753	-	87,742	-
Total	<u>\$ 1,444,352</u>	<u>\$ 19,285</u>	<u>\$ 386,614</u>	<u>\$ 1,077,023</u>	<u>\$ 48,724</u>
Business type activities					
Net pension liability	\$ 35,041	\$ -	\$ 11,224	\$ 23,817	\$ -
Total	<u>\$ 35,041</u>	<u>\$ -</u>	<u>\$ 11,224</u>	<u>\$ 23,817</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4. Changes in Long-term Liabilities (Continued)

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

At June 30, 2015, the District has an obligation to 4 participants. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$20,729.

Note 5. Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service)
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5. Pension Plan (Continued)

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$117,242.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$790,578 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.019934 percent, which was a decrease of 0.000323 percent from its proportion measured as of June 30, 2013.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5. Pension Plan (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued) – For the year ended June 30, 2015, the District recognized pension expense of \$48,334. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,592	\$ -
Changes of assumptions	34,890	-
Net difference between projected and actual earnings on pension plan investments	-	301,505
Changes in proportion and differences between District contributions and proportionate share of contributions	-	46,390
District contributions subsequent to the measurement date	117,242	-
Total	<u>\$ 160,724</u>	<u>\$ 347,895</u>

\$117,242 reported as deferred outflows of resources related to pensions resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (76,815)
2017	(76,815)
2018	(76,815)
2019	(76,814)
2020	2,846
Total	<u>\$ (304,413)</u>

There were no non-employer contributing entities at IPERS.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5. Pension Plan (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5. Pension Plan (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 1,493,776	\$ 790,578	\$ 197,007

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the District reported payables to the defined benefit pension plan of \$15,296 for legally required employer contributions and \$10,237 for legally required employee contributions which had been withheld from employees' wage but not yet remitted to IPERS.

Note 6. Other Postemployment Benefit (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 21 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 6. Other Postemployment Benefit (OPEB) (Continued)

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, 2015, the amount contributed to the plan and changes in the District’s net OPEB obligation.

Annual required contribution	\$ 47,448
Interest on net OPEB obligation	1,925
Adjustment to annual required contribution	<u>(8,403)</u>
Annual OPEB cost	40,970
Contributions made	<u>(30,217)</u>
Increase in net OPEB obligation	10,753
Net OPEB obligation beginning of year	<u>76,989</u>
Net OPEB obligation end of year	<u><u>\$ 87,742</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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, 2015.

For the year ended June 30, 2015, the District contributed \$30,217 to the medical plan. Plan members eligible for benefits contributed \$3,419, or 8.3% of the premium cost.

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
2013	\$ 40,584	73.9%	\$ 66,801
2014	41,566	75.5%	76,989
2015	40,970	73.8%	87,742

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$237,537, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$237,537. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,175,251 and the ratio of the UAAL to covered payroll was 18.1%. As of June 30, 2015, there were no trust fund assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 6. Other Postemployment Benefit (OPEB) (Continued)

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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents 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%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 94 group annuity mortality table projected to 2000, applied on a gender-specific basis. Aging curve is based upon the 2006 Society of Actuaries Study.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Risk Management

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

Note 8. Area Education District

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 District. The District's actual amount for this purpose totaled \$103,627 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 9. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Mentoring	\$ 802
Teacher salary supplement	1,778
Early Readers	17,280
Teacher Quality - Core	13,166
Teacher Quality - Professional Development	8,147
Teacher Leadership Grant	5,905
At-risk	16,575
Drop-out Prevention	104,284
Gifted and Talented	33,794
Total	\$ 201,731

Note 10. Lease Commitments

The District entered into a non-cancellable lease for a copy machine requiring monthly payments of \$675. The lease expires in February 2019. Total future minimum lease payments by year as of June 30, 2015 follows:

Year Ending June 30,	Amount
2016	\$ 8,104
2017	8,104
2018	8,104
Thereafter	5,403
	\$ 29,715

Total lease expense for the year ended June 30, 2015 was \$8,104.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 11. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 3,040,159	\$ 38,521
Net pension liability at June 30, 2014	(1,128,100)	(35,041)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	112,975	3,509
Net position July 1, 2014, as restated	<u>\$ 2,025,034</u>	<u>\$ 6,989</u>

Note 12. Due From and Due To Other Funds

The detail of interfund receivables and payable at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Wellnes Program	<u>\$ 2,139</u>

The Wellness Program is repaying the general fund for operating expenses paid on its behalf.

REQUIRED SUPPLEMENTARY INFORMATION

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

RUTHVEN-AYRSHERE 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, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 1,770,780	\$ 46,294	\$ 1,817,074
State sources	1,556,350	879	1,557,229
Federal sources	128,196	61,423	189,619
Total revenues	3,455,326	108,596	3,563,922
Expenditures/Expenses:			
Current:			
Instruction	2,181,173	-	2,181,173
Support services	921,046	-	921,046
Non-instructional programs	-	118,129	118,129
Other expenditures	223,632	-	223,632
Total expenditures/expenses	3,325,851	118,129	3,443,980
Excess (deficiency) of revenues over (under) expenditures/expenses	129,475	(9,533)	119,942
Other financing sources, net	1,543	-	1,543
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing sources	131,018	(9,533)	121,485
Balance, beginning of year	2,257,569	6,989	2,264,558
Balance, end of year	\$ 2,388,587	\$ (2,544)	\$ 2,386,043

See accompanying independent auditor's report.

Budget		Final	Final
Original		Final	to Actual
			Variance
\$ 2,071,591	\$ 2,071,591	\$ 2,071,591	\$ (254,517)
1,481,882	1,481,882	1,481,882	75,347
166,610	166,610	166,610	23,009
3,720,083	3,720,083	3,720,083	(156,161)
2,417,000	2,267,000	2,267,000	85,827
954,539	954,539	954,539	33,493
135,000	135,000	135,000	16,871
293,651	443,651	443,651	220,019
3,800,190	3,800,190	3,800,190	356,210
(80,107)	(80,107)	(80,107)	(200,049)
-	-	-	1,543
(80,107)	(80,107)	(80,107)	201,592
1,809,898	1,809,898	1,809,898	454,660
\$ 1,729,791	\$ 1,729,791	\$ 1,729,791	\$ 656,252

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information – Budgetary Reporting Year ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental 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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures know as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$0, and reclassified functional expenses in the amount of \$150,000 from instruction to other expenses.

During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System

Last Fiscal Year*

(In Thousands)

Required Supplementary Information

	2015
District's proportion of the net pension liability	0.019934%
District's proportionate share of the net pension liability	\$ 791
District's covered-employee payroll	1,265
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.53%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Schedule of the District Contributions

Iowa Public Employees' Retirement System

Last Fiscal Year*

(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 117	\$ 113	\$ 122	\$ 120
Contributions in relation to the statutorily required contribution	<u>(117)</u>	<u>(113)</u>	<u>(122)</u>	<u>(120)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,313	\$ 1,265	\$ 1,412	\$ 1,481
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.06%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 112	\$ 111	\$ 103	\$ 93	\$ 82	\$ 76
<u>(112)</u>	<u>(111)</u>	<u>(103)</u>	<u>(93)</u>	<u>(82)</u>	<u>(76)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,611	\$ 1,666	\$ 1,623	\$ 1,538	\$ 1,420	\$ 1,327
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information – Pension Liability Year ended June 30, 2015

Changes of Benefit Terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

Notes to Required Supplementary Information – Pension Liability (Continued)
Year ended June 30, 2015

Changes of Benefit Terms (Continued):

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service base assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

**Schedule of Funding Progress for the Retiree Health Plan
(In Thousands)**

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$ -	\$ 123	\$ 123	0.00	\$ 750	16.5%
2011	Jul 1, 2009	-	129	129	0.00	1,160	11.2%
2012	Jul 1, 2009	-	129	129	0.00	930	13.9%
2013	Jul 1, 2012	-	271	271	0.00	1,552	17.4%
2014	Jul 1, 2012	-	271	271	0.00	1,162	23.3%
2015	Jul 1, 2012	-	238	238	0.00	1,175	20.2%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funding status and funding progress.

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

	Special Revenue Funds		
	Management Levy	Student Activity	Total
Assets			
Cash and cash equivalents	\$ 398,597	\$ 41,906	\$ 440,503
Receivables:			
Property tax:			
Delinquent	3,309	-	3,309
Succeeding year	250,000	-	250,000
Accounts	-	150	150
Total assets	\$ 651,906	\$ 42,056	\$ 693,962
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 8,339	\$ 8,339
Total liabilities	-	8,339	8,339
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	250,000	-	250,000
Total deferred inflows of resources	250,000	-	250,000
Fund balances:			
Restricted for:			
Management levy purposes	401,906	-	401,906
Student activities	-	33,717	33,717
Total fund balances	401,906	33,717	435,623
Total liabilities, deferred inflows of resources and fund balances	\$ 651,906	\$ 42,056	\$ 693,962

See accompanying independent auditor's report.

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

Year Ended June 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 250,678	\$ -	\$ 250,678
Other	5,391	63,754	69,145
State sources	2,142	-	2,142
Federal sources	1,224	-	1,224
Total revenues	259,435	63,754	323,189
Expenditures:			
Current:			
Instruction:			
Regular	21,593	-	21,593
Other	-	62,716	62,716
Support services:			
Administration	33,452	-	33,452
Operation and maintenance of plant	73,271	-	73,271
Student transportation	7,120	-	7,120
Total expenditures	135,436	62,716	198,152
Change in fund balances	123,999	1,038	125,037
Fund balances beginning of year	277,907	32,679	310,586
Fund balances end of year	\$ 401,906	\$ 33,717	\$ 435,623

See accompanying independent auditor's report.

Schedule of Changes in Special Revenue Fund, Student Activities Accounts

Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
Undistributed	\$ -	\$ 1,844	\$ -	\$ (1,844)	\$ -
Drama	-	566	881	315	-
Speech	-	-	215	215	-
Basketball	6,063	2,212	4,079	-	4,196
Track	-	5	871	866	-
Golf	324	503	1,116	289	-
Football	208	705	3,487	2,574	-
Baseball	-	753	3,692	2,939	-
Wrestling	-	2,742	3,420	678	-
Volleyball	329	1,366	2,002	307	-
Softball	-	162	1,324	1,162	-
BB club	2,565	5,610	2,486	(3,211)	2,478
R/A club	1,849	3,982	3,053	-	2,778
National Honor Society	77	8,313	8,159	-	231
Music	1,310	84	-	-	1,394
Cheerleaders	-	6,298	5,585	-	713
Activity tickets	-	5,339	1,049	(4,290)	-
Book fair	735	-	-	-	735
Yearbook	10,446	4,474	2,265	-	12,655
Interest	-	9	-	-	9
Student council	4,302	1,633	2,887	-	3,048
Mentor club	-	-	-	-	-
Art club	749	-	-	-	749
Marketing club	844	-	755	-	89
Earth Day fund raiser	883	46	-	-	929
Class of 2012	-	-	-	-	-
Class of 2013	261	-	261	-	-
Class of 2014	62	-	62	-	-
Class of 2015	1,604	323	1,285	-	642
Class of 2016	68	16,785	13,782	-	3,071
Total	\$ 32,679	\$ 63,754	\$ 62,716	\$ -	\$ 33,717

See accompanying independent auditor's report.

**Combining Balance Sheet
Capital Project Accounts**

June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and cash equivalents	\$ 778,458	\$ 401,425	\$ 1,179,883
Receivables:			
Property tax:			
Delinquent	-	1,473	1,473
Succeeding year	-	117,848	117,848
Due from other governments	35,744	-	35,744
Total assets	\$ 814,202	\$ 520,746	\$ 1,334,948
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 13,943	\$ 13,943
Total liabilities	-	13,943	13,943
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	117,848	117,848
Total deferred inflows of resources	-	117,848	117,848
Fund balances:			
Restricted for:			
School infrastructure	814,202	-	814,202
Physical plant and equipment	-	388,955	388,955
Total fund balances	814,202	388,955	1,203,157
Total liabilities, deferred inflows of resources and fund balances	\$ 814,202	\$ 520,746	\$ 1,334,948

See accompanying independent auditor's report.

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

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 112,222	\$ 112,222
Other	196	1,225	1,421
State sources	216,762	954	217,716
Federal sources	-	2,618	2,618
Total revenues	216,958	117,019	333,977
Expenditures:			
Instruction:			
Regular instruction	8,862	33,493	42,355
Support services:			
Administration	-	5,683	5,683
Operation and maintenance of plant	22,645	9,006	31,651
Student transportation	-	21,775	21,775
Other expenditures:			
Facilities acquisition	34,925	85,080	120,005
Total expenditures	66,432	155,037	221,469
Change in fund balances	150,526	(38,018)	112,508
Fund balances beginning of year	663,676	426,973	1,090,649
Fund balances end of year	\$ 814,202	\$ 388,955	\$ 1,203,157

See accompanying independent auditor's report.

RUTHVEN-AYRSIRE COMMUNITY SCHOOL DISTRICT

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

For the Last Ten Years

	2015	2014	2013	2012
Revenues:				
Local sources:				
Local tax	\$ 1,419,921	\$ 1,661,678	\$ 1,841,074	\$ 1,794,684
Tuition	140,673	173,762	189,277	176,534
Other	210,186	200,054	184,030	149,757
Intermediate sources	-	-	136	-
State sources	1,556,350	1,503,295	1,304,497	1,315,973
Federal sources	128,196	98,485	106,681	131,829
Total revenues	\$ 3,455,326	\$ 3,637,274	\$ 3,625,695	\$ 3,568,777
Expenditures:				
Instruction:				
Regular	\$ 1,537,953	\$ 1,562,054	\$ 1,559,984	\$ 1,380,009
Special	420,938	415,555	447,224	412,878
Other	222,282	192,222	177,574	425,873
Support services:				
Student	17,655	2,995	22,450	8,764
Instructional staff	39,795	49,419	26,979	30,594
Administration	410,755	326,676	380,764	325,393
Operation and maintenance	269,515	234,123	185,757	225,909
Transportation	183,326	209,921	240,387	118,837
Other expenditures:				
Facilities acquisition	120,005	136,655	119,573	276,729
AEA flowthrough	103,627	103,381	101,243	100,313
Total expenditures	\$ 3,325,851	\$ 3,233,001	\$ 3,261,935	\$ 3,305,299

See accompanying independent auditor's report.

Schedule 6

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
\$ 1,667,499	\$ 1,408,293	\$ 1,323,754	\$ 1,212,129	\$ 1,205,671	\$ 954,979
207,412	209,818	208,051	267,383	272,804	170,261
104,608	203,185	153,499	148,381	137,809	212,767
-	-	-	3,935	-	1,510
1,143,361	1,050,614	1,228,097	1,224,108	1,005,190	987,297
169,723	290,168	94,832	99,212	103,754	111,990
\$ 3,292,603	\$ 3,162,078	\$ 3,008,233	\$ 2,955,148	\$ 2,725,228	\$ 2,438,804
\$ 1,553,743	\$ 1,392,253	\$ 1,381,956	\$ 1,299,942	\$ 1,254,302	\$ 1,168,249
331,994	374,588	401,794	362,575	361,057	253,347
316,561	442,495	403,115	382,480	269,209	259,477
12,189	7,063	10,890	6,950	59,213	54,978
29,980	25,883	28,572	22,504	25,789	24,005
309,069	309,033	280,057	291,181	306,552	271,653
208,660	225,718	206,562	212,965	179,692	168,820
98,824	116,069	20,397	109,036	94,943	91,962
89,379	234,072	110,349	48,652	119,396	65,160
104,924	103,600	91,949	87,320	81,279	78,274
\$ 3,055,323	\$ 3,230,774	\$ 2,935,641	\$ 2,823,605	\$ 2,751,432	\$ 2,435,925



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

**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
Ruthven-Ayrshire Community School District

We have audited 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ruthven-Ayrshire Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ruthven-Ayrshire 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 Ruthven-Ayrshire Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ruthven-Ayrshire 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.

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.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ruthven-Ayrshire 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 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.

Ruthven-Ayrshire Community School District's Responses to the Findings

Ruthven-Ayrshire Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Ruthven-Ayrshire 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 results 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.

Schnur & Company, LLP

Fort Dodge, Iowa
January 12, 2016

Ruthven-Ayrshire Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) No significant deficiencies or material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

No matters were noted.

Instances of Non-compliance:

No matters were noted.

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-15 Certified Budget – Expenditures for the year ended June 30, 2015 did not exceed the certified budget amounts.
- III-B-15 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- III-C-15 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.
- III-D-15 Business Transactions – No business transactions between the District and District officials or employees were noted.
- III-E-15 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 ensure the coverage is adequate for current operations.
- III-F-15 Board Minutes – No transactions requiring board approval that had not been approved by the board were noted.

Schedule of Findings and Questioned Costs (Continued)

Year ended June 30, 2015

III-G-15 Certified Enrollment – The number of resident students reported to the Iowa Department of Education on the Certified Enrollment Certification Form of October, 2014 was overstated by 3.0 students.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this issue.

District Response – We will contact the Iowa Department of Education and the Department of Management to resolve this matter.

Conclusion – Response accepted.

III-H-15 Supplemental Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

III-I-15 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.

III-J-15 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

III-K-15 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds were noted.

Schedule of Findings and Questioned Costs (Continued)

Year ended June 30, 2015

III-L-15 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 663,676
Revenues/transfers in:		
Statewide sales, service and use tax revenue	\$ 216,762	
Other	196	216,958
		<hr/>
Expenditures/transfers out:		
School infrastructure	42,989	
Equipment	23,443	66,432
		<hr/>
Ending balance		<u>\$ 814,202</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

