

RUTHVEN -AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

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## Independent Auditor's Report

To the Board of Education of  
Ruthven-Ayrshire Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ruthven-Ayrshire Community School District, Ruthven, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ruthven-Ayrshire Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated May 9, 2007, on our consideration of Ruthven-Ayrshire Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages [4 through 12](#) and [33 through 34](#) are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ruthven-Ayrshire Community School District's basic financial statements. The financial statements for the two years ended June 30, 2005, (which are not presented herein) were audited by other auditors, who expressed unqualified opinions on those financial statements. We previously audited the financial statements for the year ended June 30, 2003 (which are not presented herein) and expressed an unqualified opinion. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

May 9, 2007

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2006 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,191,356 in fiscal 2005 to \$2,179,493 in fiscal 2006, while General Fund expenditures decreased from \$2,238,012 in fiscal 2005 to \$2,215,433 in fiscal 2006. The District's General Fund balance as restated decreased from \$352,827 in fiscal 2005 to \$317,267 in fiscal 2006, a 10% decrease.
- The decrease in General Fund revenues was attributable to a decrease in property tax and state revenue in fiscal 2006. The increase in expenditures was due primarily to a decrease in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2006. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

### USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of 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 Ruthven-Ayrshire Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Ruthven-Ayrshire Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

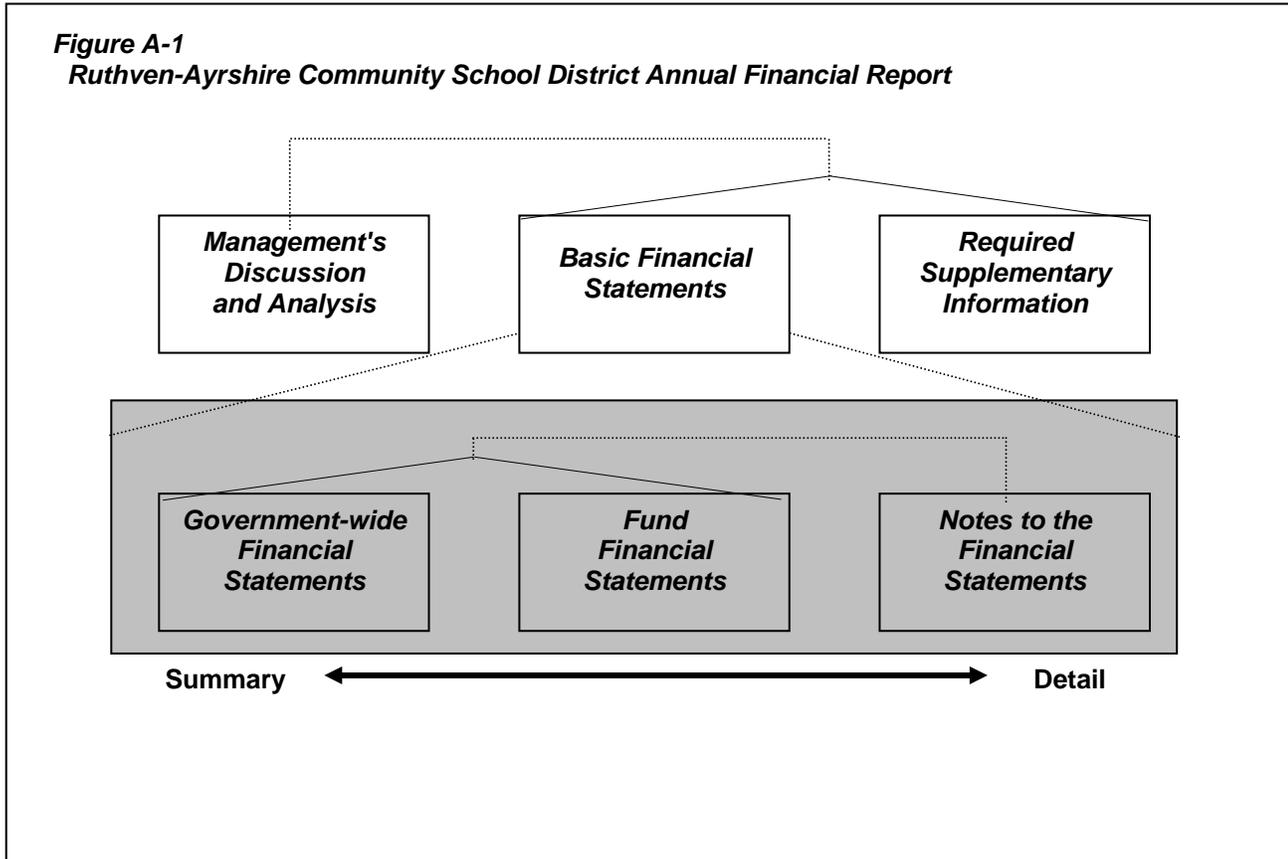


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has two kinds of funds:

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2005 Restated \$	2006 \$	2005 Restated \$	2006 \$	2005 Restated \$	2006 \$	
Current and other assets	2,001,911	2,025,367	20,025	8,632	2,021,936	2,033,999	1%
Capital assets	498,582	528,872	10,248	22,370	508,830	551,242	8%
<b>Total assets</b>	<b>2,500,493</b>	<b>2,554,239</b>	<b>30,273</b>	<b>31,002</b>	<b>2,530,766</b>	<b>2,585,241</b>	<b>2%</b>
Long-term liabilities	30,345	13,500	-	-	30,345	13,500	-56%
Other liabilities	938,662	958,859	-	1,932	938,662	960,791	2%
<b>Total liabilities</b>	<b>969,007</b>	<b>972,359</b>	<b>-</b>	<b>1,932</b>	<b>969,007</b>	<b>974,291</b>	<b>1%</b>
Net Assets:							
Invested in capital assets, net of related debt	498,582	528,872	10,248	22,370	508,830	551,242	8%
Restricted	621,644	665,813	-	-	621,644	665,813	7%
Unrestricted	411,260	387,195	20,025	6,700	431,285	393,895	-9%
<b>TOTAL NET ASSETS</b>	<b>1,531,486</b>	<b>1,581,880</b>	<b>30,273</b>	<b>29,070</b>	<b>1,561,759</b>	<b>1,610,950</b>	<b>3%</b>

The District's combined net assets increased by nearly 3%, or approximately \$49,191, over the prior year.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$44,169 or 7% over the prior year. The increase was primarily a result of the Physical Plant and Equipment property tax levy that was collected, but not spent.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$37,390, or 9%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2006 and 2005.

Figure A-4

	Governmental Activities		Change in Net Assets Business-type Activities		Total School District		Percentage Change 2005-2006
	2005	2006	2005	2006	2005	2006	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	73,661	349,994	46,981	47,495	120,642	397,489	229%
Operating grants & contributions	443,025	303,045	57,296	60,652	500,321	363,697	-27%
Capital grants & contributions	-	-	-	-	-	-	
General Revenues:							
Property taxes	830,231	745,075	-	-	830,231	745,075	-10%
Income Surtax	-	84,504	-	-	-	84,504	
Local option sales tax	117,292	122,759	-	-	117,292	122,759	5%
Unrestricted state grants	1,012,684	797,752	-	-	1,012,684	797,752	-21%
Unrestricted investment earnings	-	30,160	-	25	-	30,185	
Other revenue	43,160	5,895	-	-	43,160	5,895	-86%
<b>Total Revenues</b>	<b>2,520,053</b>	<b>2,439,184</b>	<b>104,277</b>	<b>108,172</b>	<b>2,624,330</b>	<b>2,547,356</b>	<b>-3%</b>
Expenses:							
Instruction	1,620,275	1,642,692	-	-	1,620,275	1,642,692	1%
Support services	679,375	626,963	-	-	679,375	626,963	-8%
Non-instructional programs	-	-	111,274	109,375	111,274	109,375	-2%
Other expenditures	85,406	119,135	-	-	85,406	119,135	39%
<b>Total expenses</b>	<b>2,385,056</b>	<b>2,388,790</b>	<b>111,274</b>	<b>109,375</b>	<b>2,496,330</b>	<b>2,498,165</b>	<b>0%</b>
<b>CHANGE IN NET ASSETS</b>	<b>134,997</b>	<b>50,394</b>	<b>(6,997)</b>	<b>(1,203)</b>	<b>128,000</b>	<b>49,191</b>	<b>-62%</b>

Property tax and unrestricted state grants account for 61% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$2,439,184 and expenses were \$2,388,790. 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.

Figure A-5

### Total and Net Cost of Governmental Activities

	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2005	2006	2005	2006
	\$	\$	\$	\$
Instruction	1,620,275	1,642,692	1,188,995	1,075,429
Support Services	679,375	626,963	679,375	619,461
Non-instructional Programs	-	-	-	-
Other Expenses	85,406	119,135	-	40,861
<b>TOTAL</b>	<b>2,385,056</b>	<b>2,388,790</b>	<b>1,868,370</b>	<b>1,735,751</b>

- The cost financed by users of the District's programs was \$349,994.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$303,045.
- The net cost of governmental activities was financed with \$952,338 in property and other taxes and \$797,752 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$108,172 and expenses were \$109,375. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2006, the District increased meal prices. This increase resulted in increased revenue to the School Nutrition Fund.

## **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 a combined fund balance of \$996,580, slightly above last year's ending fund balances of \$993,321.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in a decrease in revenues. However, the decrease in revenues was more than offset by the District's decrease in General Fund expenditures.
- The General Fund balance decreased from \$352,827 to \$317,267, due in part to the negotiated salary and benefits settlement, the prior year reduction in state revenues and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$358,355 in fiscal 2005 to \$377,867 in fiscal 2006. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund in order to reduce the prior year deficit and improve the financial condition of the fund.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$30,373 at June 30, 2005 to \$29,070 at June 30, 2006, representing a decrease of approximately 4%. For fiscal 2006, the District increased meal prices.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Ruthven-Ayrshire Community School District did not amend its annual budget.

The District's receipts were \$17,811 less than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving less from federal sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs and other expenditures functions due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, the District had invested \$551,242, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 8% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$45,802.

Figure A-6

#### Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2005-2006
	2005 Restated	2006	2005 Restated	2006	2005 Restated	2006	
	\$	\$	\$	\$	\$	\$	
Land	10,567	10,567	-	-	10,567	10,567	0%
Construction in progress	-	-	-	-	-	-	
Buildings	410,988	432,282	-	-	410,988	432,282	5%
Improvements	8,638	16,141	-	-	8,638	16,141	87%
Equipment & Furniture	68,389	69,882	10,248	22,370	78,637	92,252	17%
<b>TOTAL</b>	<b>498,582</b>	<b>528,872</b>	<b>10,248</b>	<b>22,370</b>	<b>508,830</b>	<b>551,242</b>	<b>8%</b>

## Long-Term Debt

**Figure A-7**  
**Outstanding Long-Term Obligations**

	<b>Total School District</b>		<b>Percentage</b>
	<b>2005</b>	<b>2006</b>	<b>Change</b>
			<b>2005-2006</b>
	\$	\$	
Termination benefits	18,850	13,500	-28%
Compensated Absences	11,495	-	100%
	<u>30,345</u>	<u>13,500</u>	<u>-56%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- We had a one year increase in enrollment and will be monitoring it to see if it can be sustained.
- We continue to share academic staff with Emmetsburg and continue talks with other districts as needed.
- The Board has been informed of probable declining enrollment issues and that in the next five years they will face decisions regarding deductions of expenses that will be tied to the declining enrollment.

## 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 Regina Reynolds, District Secretary/Treasurer and Business Manager, Ruthven-Ayrshire Community School District, P.O. Box 159, Ruthven, IA 51358.

## BASIC FINANCIAL STATEMENTS

## RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	943,154	7,156	950,310
Receivables:			
Property tax:			
Delinquent	13,516	-	13,516
Succeeding year	958,773	-	958,773
Accounts	265	41	306
Due from other governments	109,659	-	109,659
Inventories	-	1,435	1,435
Capital assets, net of accumulated depreciation	528,872	22,370	551,242
<b>Total assets</b>	<b>2,554,239</b>	<b>31,002</b>	<b>2,585,241</b>
<b>Liabilities</b>			
Accounts payable	85	-	85
Deferred revenue:			
Succeeding year property tax	958,774	-	958,774
Other	-	1,932	1,932
Long-term liabilities:			
Portion due within one year:			
Termination benefits	4,500	-	4,500
Portion due after one year:			
Termination benefits	9,000	-	9,000
<b>Total liabilities</b>	<b>972,359</b>	<b>1,932</b>	<b>974,291</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	528,872	22,370	551,242
Restricted for:			
Management levy	81,795	-	81,795
Physical plant and equipment levy	377,867	-	377,867
Other special revenue purposes	60,283	-	60,283
Local option sales tax capital projects	145,868	-	145,868
Unrestricted	387,195	6,700	393,895
<b>Total net assets</b>	<b>1,581,880</b>	<b>29,070</b>	<b>1,610,950</b>

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular instruction	1,128,740	267,240	149,094	-
Special instruction	253,347	26,218	13,324	-
Other instruction	260,605	50,236	61,151	-
	<u>1,642,692</u>	<u>343,694</u>	<u>223,569</u>	<u>-</u>
Support services:				
Student services	54,978	-	-	-
Instructional staff services	24,005	-	-	-
Administration services	271,653	-	-	-
Operation and maintenance of plant services	169,030	6,300	-	-
Transportation services	107,297	-	1,202	-
	<u>626,963</u>	<u>6,300</u>	<u>1,202</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	18,493	-	-	-
Long-term debt interest	-	-	-	-
AEA flowthrough	78,274	-	78,274	-
Depreciation (unallocated)*	22,368	-	-	-
	<u>119,135</u>	<u>-</u>	<u>78,274</u>	<u>-</u>
Total governmental activities	2,388,790	349,994	303,045	-
Business type activities:				
Non-instructional programs:				
Food service operations	109,375	47,495	60,652	-
Total	<u>2,498,165</u>	<u>397,489</u>	<u>363,697</u>	<u>-</u>

**General Revenues:**

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

Total general revenues

**Change in net assets**

Net assets beginning of year, as restated

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(712,406)	-	(712,406)
(213,805)	-	(213,805)
(149,218)	-	(149,218)
<u>(1,075,429)</u>	<u>-</u>	<u>(1,075,429)</u>
(54,978)	-	(54,978)
(24,005)	-	(24,005)
(271,653)	-	(271,653)
(162,730)	-	(162,730)
(106,095)	-	(106,095)
<u>(619,461)</u>	<u>-</u>	<u>(619,461)</u>
(18,493)	-	(18,493)
-	-	-
-	-	-
(22,368)	-	(22,368)
<u>(40,861)</u>	<u>-</u>	<u>(40,861)</u>
(1,735,751)	-	(1,735,751)
-	(1,228)	(1,228)
<u>(1,735,751)</u>	<u>(1,228)</u>	<u>(1,736,979)</u>
722,328	-	722,328
22,747	-	22,747
84,504	-	84,504
122,759	-	122,759
797,752	-	797,752
30,160	25	30,185
5,895	-	5,895
<u>1,786,145</u>	<u>25</u>	<u>1,786,170</u>
50,394	(1,203)	49,191
<u>1,531,486</u>	<u>30,273</u>	<u>1,561,759</u>
<u><u>1,581,880</u></u>	<u><u>29,070</u></u>	<u><u>1,610,950</u></u>

## RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2006

	General Fund	Physical Plant & Equipment Levy Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	272,640	377,640	292,874	943,154
Receivables:				
Property tax:				
Delinquent	12,267	396	853	13,516
Succeeding year	867,170	68,603	23,000	958,773
Accounts	146	-	11,295	11,441
Interfund receivable	3,745	-	-	3,745
Due from other governments	98,483	-	-	98,483
<b>Total assets</b>	<b>1,254,451</b>	<b>446,639</b>	<b>328,022</b>	<b>2,029,112</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	85	-	-	85
Interfund payable	-	169	3,576	3,745
Deferred revenue:				
Succeeding year property tax	867,171	68,603	23,000	958,774
Other	69,928	-	-	69,928
Total liabilities	937,184	68,772	26,576	1,032,532
Fund balances:				
Unreserved reported in:				
General fund	317,267	-	-	317,267
Special revenue funds	-	377,867	155,578	533,445
Capital projects funds	-	-	145,868	145,868
Total fund balances	317,267	377,867	301,446	996,580
<b>Total liabilities and fund balances</b>	<b>1,254,451</b>	<b>446,639</b>	<b>328,022</b>	<b>2,029,112</b>

## RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	996,580
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	528,872
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	69,928
Long-term liabilities, including termination benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(13,500)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>1,581,880</u></u>

## RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General Fund	Physical Plant & Equipment Levy Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	763,117	22,821	169,041	954,979
Tuition	170,261	-	-	170,261
Other	145,393	9,139	58,235	212,767
Intermediate sources	1,510	-	-	1,510
State sources	987,222	24	51	987,297
Federal sources	111,990	-	-	111,990
Total revenues	<u>2,179,493</u>	<u>31,984</u>	<u>227,327</u>	<u>2,438,804</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,101,622	47,312	19,315	1,168,249
Special instruction	253,347	-	-	253,347
Other instruction	207,605	-	51,872	259,477
	<u>1,562,574</u>	<u>47,312</u>	<u>71,187</u>	<u>1,681,073</u>
Support services:				
Student services	54,978	-	-	54,978
Instructional staff services	24,005	-	-	24,005
Administration services	269,866	-	1,787	271,653
Operation and maintenance of plant services	135,640	-	33,180	168,820
Transportation services	90,096	-	1,866	91,962
	<u>574,585</u>	<u>-</u>	<u>36,833</u>	<u>611,418</u>
Other expenditures:				
Facilities acquisition	-	65,160	-	65,160
AEA flowthrough	78,274	-	-	78,274
	<u>78,274</u>	<u>65,160</u>	<u>-</u>	<u>143,434</u>
Total expenditures	<u>2,215,433</u>	<u>112,472</u>	<u>108,020</u>	<u>2,435,925</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,940)</u>	<u>(80,488)</u>	<u>119,307</u>	<u>2,879</u>
Other financing sources (uses):				
Sales of materials and equipment	380	-	-	380
Operating transfers in	-	100,000	-	100,000
Operating transfers out	-	-	(100,000)	(100,000)
Total other financing sources (uses)	<u>380</u>	<u>100,000</u>	<u>(100,000)</u>	<u>380</u>
Net change in fund balances	(35,560)	19,512	19,307	3,259
Fund balances beginning of year, as restated	<u>352,827</u>	<u>358,355</u>	<u>282,139</u>	<u>993,321</u>
Fund balances end of year	<u>317,267</u>	<u>377,867</u>	<u>301,446</u>	<u>996,580</u>

See notes to financial statements.

## RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

\$

\$

<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		3,259
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**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 Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:

Expenditures for capital assets	73,738	
Depreciation expense	<u>(43,448)</u>	30,290

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	5,350	
Compensated absences	<u>11,495</u>	<u>16,845</u>

<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>50,394</u></u>
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## RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2006

	Nonmajor School Nutrition Fund
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	7,156
Accounts receivable	41
Inventories	1,435
Capital assets net of accumulated depreciation	<u>22,370</u>
<b>Total assets</b>	31,002
<b>Liabilities</b>	
Deferred revenue	<u>1,932</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	22,370
Unrestricted	<u>6,700</u>
<b>Total net assets</b>	<u><u>29,070</u></u>

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds

Year ended June 30, 2006

	Nonmajor School Nutrition Fund
	\$
Operating revenue:	
Local sources:	
Charges for service	47,495
Operating expenses:	
Non-instructional programs:	
Salaries	39,449
Benefits	5,282
Supplies	62,290
Depreciation	2,354
	109,375
Operating gain (loss)	(61,880)
Non-operating revenue:	
State sources	1,635
Federal sources	59,017
Interest income	25
Total non-operating revenue	60,677
Change in net assets	(1,203)
Net assets beginning of year, as restated	30,273
Net assets end of year	29,070

## RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2006

	Nonmajor School Nutrition Fund
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	49,429
Cash payments to employees for services	(44,731)
Cash payments to suppliers for goods or services	<u>(54,593)</u>
Net cash used by operating activities	<u>(49,895)</u>
Cash flows from non-capital financing activities:	
State grants received	1,635
Federal grants received	<u>51,369</u>
Net cash provided by non-capital financing activities	<u>53,004</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(14,476)</u>
Cash flows from investing activities:	
Interest on investments	<u>25</u>
Net increase (decrease) in cash and cash equivalents	(11,342)
Cash and cash equivalents at beginning of year	<u>18,498</u>
Cash and cash equivalents at end of year	<u><u>7,156</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(61,880)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	7,648
Depreciation	2,354
Decrease (increase) in inventories	49
Decrease (increase) in accounts receivable	2
(Decrease) increase in deferred revenue	<u>1,932</u>
Net cash used in operating activities	<u><u>(49,895)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2006, the District received \$7,648 of federal commodities.

# RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2006

### 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. The geographic area served includes the Cities of Ruthven and Ayrshire, Iowa and the predominately agricultural territory in a portion of surrounding counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

#### A. Reporting Entity

For financial reporting purposes, 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. The 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 County Assessor's Conference Board.

#### B. Basis of Presentation

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

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

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

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

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest 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.

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 instruction, support and other costs.

The Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1,

2005, through June 30, 2006, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	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>	<u>Estimated Useful Life</u>
Buildings	20-50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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

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

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

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

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**E. Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

**2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**3. Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Physical Plant and Equipment Levy Fund	169
General Fund	Nonmajor Governmental: Management Levy Fund	3,576

The interfund payables represent expense reimbursement due to the General Fund.

**4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount \$
Physical Plant and Equipment Levy Fund	Nonmajor Governmental: Capital Projects Fund	100,000

This transfer moved revenues from the fund statutorily required to collect the resources to the fund that spent the resources.

## 5. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year, as Restated \$	Increases \$	Decreases \$	Balance End of Year \$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	10,567	-	-	10,567
Capital assets being depreciated:				
Buildings	904,730	42,593	-	947,323
Improvements other than buildings	128,655	8,572	-	137,227
Furniture and equipment	532,383	22,573	-	554,956
Total capital assets being deprec.	<u>1,565,768</u>	<u>73,738</u>	-	<u>1,639,506</u>
Less accumulated depreciation for:				
Buildings	493,742	21,299	-	515,041
Improvements other than buildings	120,017	1,069	-	121,086
Furniture and equipment	463,994	21,080	-	485,074
Total accumulated depreciation	<u>1,077,753</u>	<u>43,448</u>	-	<u>1,121,201</u>
Total capital assets being depreciated, net	<u>488,015</u>	<u>30,290</u>	-	<u>518,305</u>
Governmental activities capital assets, net	<u>498,582</u>	<u>30,290</u>	-	<u>528,872</u>
	Balance Beginning of Year, as Restated \$	Increases \$	Decreases \$	Balance End of Year \$
<b>Business type activities:</b>				
Furniture and equipment	58,419	14,476	7,034	65,861
Less accumulated depreciation	<u>48,171</u>	<u>2,354</u>	<u>7,034</u>	<u>43,491</u>
Business type activities capital assets, net	<u>10,248</u>	<u>12,122</u>	-	<u>22,370</u>

Depreciation expense was charged to the following functions:

	Amount
	\$
Governmental activities:	
Instruction:	
Regular	4,407
Other	1,128
Support Services:	
Operation and maintenance of plant services	210
Transportation	15,335
	<u>21,080</u>
Unallocated depreciation	<u>22,368</u>
Total depreciation expense – governmental activities	<u>43,448</u>
Business type activities:	
Food services	<u>2,354</u>

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Compensated absences	11,495	1,800	13,295	-	-
Termination benefits	18,850	-	5,350	13,500	4,500
Total	<u>30,345</u>	<u>1,800</u>	<u>18,645</u>	<u>13,500</u>	<u>4,500</u>

### Termination Benefits

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

Early retirement benefits consist of the District paying \$1,500 per year for health insurance premiums until the retiree reaches age 65.

At June 30, 2006, the District has obligations to three participants with a total liability of \$13,500. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$5,350.

## 7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$76,303, \$77,289, and \$74,452 respectively, equal to the required contributions for each year.

## 8. Risk Management

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

## 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$78,274 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## 10. Lease Commitment

The District entered into a five year contract to lease copy machines in fiscal year 2005. The payments the District will make over the next four years are as follows:

Year Ended June 30	Lease Payment \$
2007	12,024
2008	12,024
2009	12,024
2010	9,018

## 11. Restatement of Beginning Balances

The beginning fund balances for the General Fund, Physical Plant and Equipment Levy Fund and the Nonmajor Governmental, Management Fund were restated because June 30, 2005 cash balances were misstated.

	Restatement \$
General Fund	(44,246)
Physical Plant and Equipment Levy Fund	73,450
Management Fund	46,932
Total fund balance restatement	<u>76,136</u>

The beginning net assets for the governmental activities and for the business type activities/ School Nutrition Fund were restated for the following items:

	Restatement	
	Governmental Activities \$	Business Type Activities / School Nutrition Fund \$
Cash was understated at June 30, 2005	76,136	-
Income surtax receivable was not reported at June 30, 2005	69,928	-
District did not have depreciation schedules for capital assets. When depreciation schedules (using historical cost or estimated historical cost and the District's capitalization rates) were prepared; it was determined that June 30, 2005 net capital assets were misstated.	<u>(1,528,377)</u>	<u>7,855</u>
Total net asset restatement	<u>(1,382,313)</u>	<u>7,855</u>

REQUIRED SUPPLEMENTARY INFORMATION

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
<b>Revenues:</b>						
Local sources	1,338,007	47,520	1,385,527	1,335,207	1,335,207	50,320
Intermediate sources	1,510	-	1,510	30,000	30,000	(28,490)
State sources	987,297	1,635	988,932	972,961	972,961	15,971
Federal sources	111,990	59,017	171,007	226,619	226,619	(55,612)
Total revenues	<u>2,438,804</u>	<u>108,172</u>	<u>2,546,976</u>	<u>2,564,787</u>	<u>2,564,787</u>	<u>(17,811)</u>
<b>Expenditures:</b>						
Instruction	1,681,073	-	1,681,073	1,765,459	1,765,459	84,386
Support services	611,418	-	611,418	932,257	932,257	320,839
Non-instructional programs	-	109,375	109,375	109,039	109,039	(336)
Other expenditures	143,434	-	143,434	129,970	129,970	(13,464)
Total expenditures	<u>2,435,925</u>	<u>109,375</u>	<u>2,545,300</u>	<u>2,936,725</u>	<u>2,936,725</u>	<u>391,425</u>
Excess (deficiency) of revenues over (under) expenditures	2,879	(1,203)	1,676	(371,938)	(371,938)	373,614
Other financing sources (uses) net	<u>380</u>	<u>-</u>	<u>380</u>	<u>-</u>	<u>-</u>	<u>380</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	3,259	(1,203)	2,056	(371,938)	(371,938)	373,994
Balance beginning of year	<u>993,321</u>	<u>30,273</u>	<u>1,023,594</u>	<u>656,603</u>	<u>656,603</u>	<u>366,991</u>
Balance end of year	<u><u>996,580</u></u>	<u><u>29,070</u></u>	<u><u>1,025,650</u></u>	<u><u>284,665</u></u>	<u><u>284,665</u></u>	<u><u>740,985</u></u>

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. 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 functional level, not by the fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its budget during the year.

During the year ended June 30, 2006, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

## RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2006

Assets	Special Revenue Funds		Capital Projects Fund	Total
	Management	Student	Local Option	
	Levy	Activity	Sales and	
			Services Tax	
	\$	\$	\$	\$
Cash and pooled investments	98,018	60,164	134,692	292,874
Receivables:				
Property tax:				
Delinquent	853	-	-	853
Succeeding year	23,000	-	-	23,000
Accounts	-	119	11,176	11,295
<b>Total assets</b>	<b>121,871</b>	<b>60,283</b>	<b>145,868</b>	<b>328,022</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Interfund payables	3,576	-	-	3,576
Deferred revenue:				
Succeeding year property tax	23,000	-	-	23,000
Total liabilities	26,576	-	-	26,576
Fund balances:				
Unreserved reported in:				
Special revenue funds	95,295	60,283	-	155,578
Capital projects funds	-	-	145,868	145,868
Total fund balances	95,295	60,283	145,868	301,446
<b>Total liabilities and fund balances</b>	<b>121,871</b>	<b>60,283</b>	<b>145,868</b>	<b>328,022</b>

## RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Special Revenue Funds		Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Local Option Sales and Services Tax	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	46,282	-	122,759	169,041
Other	3,993	54,242	-	58,235
State sources	51	-	-	51
Total revenues	<u>50,326</u>	<u>54,242</u>	<u>122,759</u>	<u>227,327</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	19,315	-	-	19,315
Other instruction	-	51,872	-	51,872
Support services:				
Administration services	1,787	-	-	1,787
Operation and maintenance of plant services	33,180	-	-	33,180
Transportation services	1,866	-	-	1,866
Total expenditures	<u>56,148</u>	<u>51,872</u>	<u>-</u>	<u>108,020</u>
Excess (deficiency) of revenues over (under) expenditures	(5,822)	2,370	122,759	119,307
Other financing sources (uses):				
Operating transfers out	-	-	(100,000)	(100,000)
Net change in fund balance	(5,822)	2,370	22,759	19,307
Fund balances beginning of year, as restated	<u>101,117</u>	<u>57,913</u>	<u>123,109</u>	<u>282,139</u>
Fund balances end of year	<u>95,295</u>	<u>60,283</u>	<u>145,868</u>	<u>301,446</u>

## RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Drama	252	194	197	249
Basketball	23,349	5,679	7,650	21,378
Track	29	-	1,134	(1,105)
Golf	2,316	5	375	1,946
Football	5,038	3,650	4,048	4,640
Baseball	1,077	1,563	2,213	427
Wrestling	14	-	-	14
Volleyball	5,037	1,964	1,822	5,179
Softball	150	-	220	(70)
BB club	3,422	502	251	3,673
R/A club	29	7,450	3,687	3,792
National Honor Society	545	6,674	7,068	151
Music	521	-	-	521
Cheerleaders	-	80	374	(294)
Activity tickets	898	3,680	361	4,217
Book fair	478	1,008	1,008	478
Yearbook	4,752	5,302	6,924	3,130
Interest	-	3,320	-	3,320
Student Council	1,380	788	-	2,168
Mentor club	436	(909)	561	(1,034)
Art club	402	-	-	402
Marketing club	487	1,827	1,756	558
Earth day fund raiser	1,034	225	523	736
Class of 2005	1,325	-	1,325	-
Class of 2006	4,202	-	1,176	3,026
Class of 2007	-	11,861	9,199	2,662
Beginning accruals	740	(740)	-	-
Ending accruals	-	119	-	119
	<u>57,913</u>	<u>54,242</u>	<u>51,872</u>	<u>60,283</u>
Total	<u>57,913</u>	<u>54,242</u>	<u>51,872</u>	<u>60,283</u>

## RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	954,979	1,032,929	929,665	982,066
Tuition	170,261	158,525	126,847	122,130
Other	212,767	207,778	195,996	197,266
Intermediate sources	1,510	-	-	-
State sources	987,297	1,012,684	981,925	1,006,617
Federal sources	111,990	107,936	111,729	116,463
Total revenues	<u>2,438,804</u>	<u>2,519,852</u>	<u>2,346,162</u>	<u>2,424,542</u>
Expenditures:				
Instruction:				
Regular instruction	1,168,249	1,086,146	1,015,731	973,501
Special instruction	253,347	274,288	350,817	330,766
Other instruction	259,477	249,753	137,768	155,483
Support services:				
Student services	54,978	54,654	53,979	86,932
Instructional staff services	24,005	18,141	31,770	28,449
Administration services	271,653	311,179	308,610	288,935
Operation and maintenance of plant services	168,820	171,899	140,566	129,157
Transportation services	91,962	103,514	108,871	124,342
Other expenditures:				
Facilities acquisition	65,160	105,492	89,373	22,939
AEA flowthrough	78,274	85,406	79,743	85,359
Total expenditures	<u>2,435,925</u>	<u>2,460,472</u>	<u>2,317,228</u>	<u>2,225,863</u>

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 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, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated May 9, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ruthven-Ayrshire Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 06-I-A and 06-I-B are material weaknesses.

### 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 that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ruthven-Ayrshire Community School District and other parties to whom Ruthven-Ayrshire Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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

May 9, 2007

Ruthven-Ayrshire Community School District

Schedule of Findings

June 30, 2006

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

06-I-B Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The Board Secretary, the other cosigner of the checks, has access to the Board President's signature stamp. This practice negates the internal control procedure established by requiring two signatures on a check

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

Ruthven-Ayrshire Community School District

Schedule of Findings

June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

- 06-II-A Certified Budget: Expenditures for the year ended June 30, 2006, exceeded the amounts budgeted in the non-instructional programs and other expenditures functions.
- Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion: Response accepted.
- 06-II-B Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 06-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 06-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 06-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 06-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 06-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 06-II-H 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.
- 06-II-I Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 06-II-J Physical Plant and Equipment Levy Fund: The Physical Plant and Equipment Levy Fund may be used to purchase a single unit of equipment with a cost exceeding \$500. We noted approximately \$5,900 of expenditures for tables and chairs, with a per unit cost below \$500, that were purchased in the Physical Plant and Equipment Levy Fund.

Ruthven-Ayrshire Community School District

Schedule of Findings

June 30, 2006

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

Recommendation: The District should review the types of expenditures allowable from the Physical Plant and Equipment Levy Fund.

District Response: We will monitor expenditures from this fund.

Conclusion: Response accepted.

06-II-K Deficit Balances: The Student Activity Fund has several accounts with deficit balances at June 30, 2006.

Recommendation: The District should investigate methods to eliminate the deficits.

District Response: We will be making transfers within the Student Activity Fund to eliminate the accounts with deficit balances.

Conclusion: Response accepted.