

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

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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, 2008, 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, 2008, 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 April 29, 2009, 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, 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 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 other 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2007 and 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2005, (which are not presented herein) were audited by other auditors, who expressed unqualified opinions on those financial statements. 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

April 29, 2009

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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 Financial Highlights

- General Fund revenues increased from \$2,393,957 in fiscal 2007 to \$2,594,083 in fiscal 2008, while General Fund expenditures increased from \$2,515,137 in fiscal 2007 to \$2,556,243 in fiscal 2008. The District's General Fund balance increased from \$152,403 in fiscal 2007 to \$190,599 in fiscal 2008, a 25% increase.
- The increase in General Fund revenues was attributable to an increase in property tax, teachers comp, and state and federal grant revenue in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salary, teachers comp, 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 2008. 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 the 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 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 the 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.

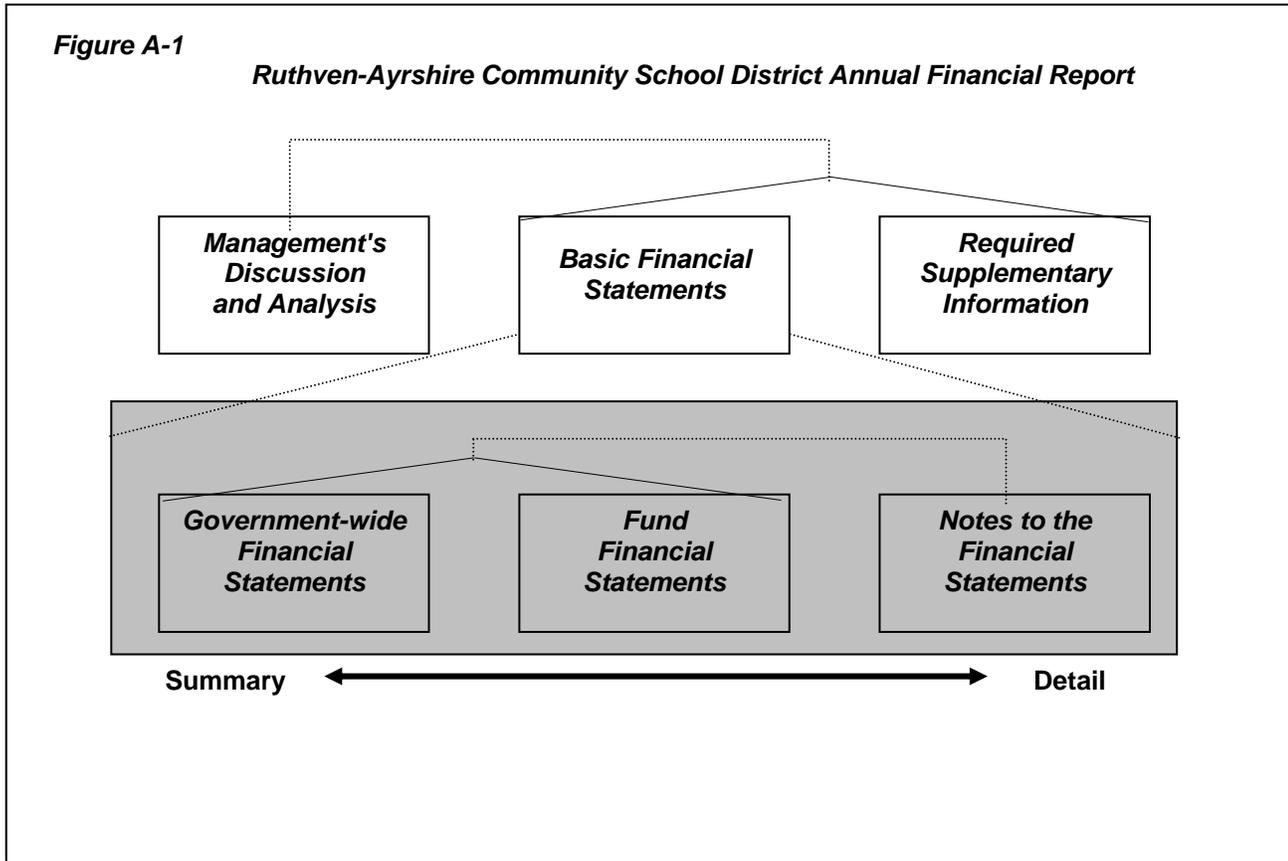


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

| Figure A-2 Major Features of the Government-wide and Fund Financial Statements | | | | |
|---|--|--|--|---|
| | Government-wide Statements | Fund Statements | | |
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Activities the District operates similar to private businesses: food services and adult education | Instances in which the District administers resources on behalf of someone else, such as scholarship programs |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances | <ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets |
| 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, pre-school 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, 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3

| | Condensed Statement of Net Assets | | | | | | Percentage Change 2007-2008 |
|--|-----------------------------------|------------------|-----------------------------|---------------|--------------------------|------------------|-----------------------------------|
| | Governmental Activities | | Business-type Activities | | Total School District | | |
| | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Current and other assets | 2,053,132 | 2,276,076 | 4,678 | (507) | 2,057,810 | 2,275,569 | 11% |
| Capital assets | 537,495 | 549,720 | 20,017 | 17,693 | 557,512 | 567,413 | 2% |
| Total assets | 2,590,627 | 2,825,796 | 24,695 | 17,186 | 2,615,322 | 2,842,982 | 9% |
| Long-term liabilities | 11,250 | 44,360 | - | - | 41,437 | 44,360 | 7% |
| Other liabilities | 1,022,729 | 1,073,002 | 1,874 | 1,797 | 994,416 | 1,074,799 | 8% |
| Total liabilities | 1,033,979 | 1,117,362 | 1,874 | 1,797 | 1,035,853 | 1,119,159 | 8% |
| Net Assets: | | | | | | | |
| Invested in capital assets, net of related debt | 537,495 | 549,720 | 20,017 | 17,693 | 557,512 | 567,413 | 2% |
| Restricted | 827,477 | 925,834 | - | - | 827,477 | 925,834 | 12% |
| Unrestricted | 191,676 | 232,880 | 2,804 | (2,304) | 194,480 | 230,576 | 19% |
| TOTAL NET ASSETS | 1,556,648 | 1,708,434 | 22,821 | 15,389 | 1,579,469 | 1,723,823 | 9% |

The District's combined net assets increased by 9%, or approximately \$144,354, 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 \$98,357 or 12% over the prior year. Most of the increase was due to sales taxes that were collected, but not spent in fiscal year 2008.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$36,096, or 19%. 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, 2008 and 2007.

Figure A-4

| | Change in Net Assets | | | | | | Percentage Change 2007-2008 |
|----------------------------------|----------------------------|------------------|-----------------------------|----------------|--------------------------|------------------|-----------------------------------|
| | Governmental Activities | | Business-type Activities | | Total School District | | |
| | 2007 \$ | 2008 \$ | 2007 \$ | 2008 \$ | 2007 \$ | 2008 \$ | |
| Revenues | | | | | | | |
| Program Revenues: | | | | | | | |
| Charges for services | 355,598 | 346,033 | 43,733 | 51,101 | 399,331 | 397,134 | -1% |
| Operating grants & contributions | 309,375 | 340,664 | 59,384 | 59,771 | 368,759 | 400,435 | 9% |
| Capital grants & contributions | 16,560 | 27,394 | - | - | 16,560 | 27,394 | 65% |
| General Revenues: | - | | | | | | |
| Property taxes | 956,637 | 974,048 | - | - | 956,637 | 974,048 | 2% |
| Income Surtax | 90,774 | 112,089 | - | - | 90,774 | 112,089 | 23% |
| Local option sales tax | 161,720 | 136,577 | - | - | 161,720 | 136,577 | -16% |
| Unrestricted state grants | 799,569 | 986,590 | - | - | 799,569 | 986,590 | 23% |
| Unrestricted investment earnings | 34,092 | 35,116 | 19 | 8 | 34,111 | 35,124 | 3% |
| Other revenue | 71,338 | 7,578 | - | - | 71,338 | 7,578 | -89% |
| Total Revenues | 2,795,663 | 2,966,089 | 103,136 | 110,880 | 2,898,799 | 3,076,969 | 6% |
| Expenses: | | | | | | | |
| Instruction | 1,900,168 | 1,999,014 | - | - | 1,900,168 | 1,999,014 | 5% |
| Support services | 710,969 | 656,949 | - | - | 710,969 | 656,949 | -8% |
| Non-instructional programs | - | - | 109,385 | 118,312 | 109,385 | 118,312 | 8% |
| Other expenditures | 159,609 | 158,340 | - | - | 159,609 | 158,340 | -1% |
| Total expenses | 2,770,746 | 2,814,303 | 109,385 | 118,312 | 2,880,131 | 2,932,615 | 2% |
| CHANGE IN NET ASSETS | 24,917 | 151,786 | (6,249) | (7,432) | 18,668 | 144,354 | 673% |
| Prior period adjustment | (50,149) | - | - | - | (50,149) | - | 100% |
| Net assets beginning of year | 1,581,880 | 1,556,648 | 29,070 | 22,821 | 1,610,950 | 1,579,469 | -2% |
| Net assets end of year | 1,556,648 | 1,708,434 | 22,821 | 15,389 | 1,579,469 | 1,723,823 | 9% |

Property tax (\$974,048) and unrestricted state grants (\$986,590) account for \$1,960,638 OR 64% of the total revenue. The District's expenses primarily relate to instruction and support services (\$2,655,963) which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$2,966,089 and expenses were \$2,814,303. 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.

| | Total Cost of Services | | | Net Cost of Services | | |
|------------------|------------------------|------------------|---------------------|----------------------|------------------|---------------------|
| | 2007 \$ | 2008 \$ | Change 2007-2008 | 2007 \$ | 2008 \$ | Change 2007-2008 |
| Instruction | 1,900,168 | 1,999,014 | 5% | 1,322,100 | 1,403,443 | 6% |
| Support Services | 710,969 | 656,949 | -8% | 705,343 | 653,143 | -7% |
| Other Expenses | 159,609 | 158,340 | -1% | 61,770 | 43,626 | -29% |
| TOTAL | 2,770,746 | 2,814,303 | 2% | 2,089,213 | 2,100,212 | 1% |

- The cost financed by users of the District's programs was \$346,033. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$340,664.
- The net cost of governmental activities was financed with \$974,048 in property taxes and \$986,590 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$110,880 and expenses were \$118,312. 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.

Declining enrollment is causing the revenues from food service sales and the related federal school lunch program revenues to decrease.

INDIVIDUAL FUND ANALYSIS

As previously noted, the 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 \$1,119,101, slightly above last year's ending fund balances of \$987,202.

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 an increase in revenues. However, the increase in revenues was offset by the District's increase in General Fund expenditures.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$445,123 in fiscal 2007 to \$497,997 in fiscal 2008. The balance in the PPEL Fund must be used for future capital repairs, improvements and equipment purchases.
- The Capital Projects Fund (SILO) balance is \$301,390. This balance must also be used for future capital improvements and equipment purchases.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$22,821 at June 30, 2007 to \$15,389 on June 30, 2008, representing a decrease of approximately 33%. For fiscal 2008, the District increased meal prices, but the increase in price was not enough to off set the reduction in the number of meals served due to declining enrollment.

BUDGETARY HIGHLIGHTS

The District's receipts were \$64,798 more than budgeted receipts, a variance of 2%. Our state funding for Teachers Comp increased, resulting in higher than anticipated revenue from the state. Revenues from Local Sources was also higher than budgeted.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$567,413, 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 2% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$59,613.

During fiscal year 2007 the District spent approximately \$50,200 for computers and computer networking equipment, and 9,900 for risers.

Figure A-6

Capital Assets (net of depreciation)

| | Governmental Activities | | Business type Activities | | Total School District | | Percentage Change 2007-2008 |
|-----------------------|----------------------------|----------------|-----------------------------|---------------|--------------------------|----------------|-----------------------------------|
| | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Land | 10,567 | 10,567 | - | - | 10,567 | 10,567 | 0% |
| Buildings | 410,983 | 389,684 | - | - | 410,983 | 389,684 | -5% |
| Improvements | 15,072 | 14,003 | - | - | 15,072 | 14,003 | -7% |
| Equipment & Furniture | 100,873 | 135,466 | 20,017 | 17,693 | 120,890 | 153,159 | 27% |
| TOTAL | 537,495 | 549,720 | 20,017 | 17,693 | 557,512 | 567,413 | 2% |

Long-Term Debt

At June 30, 2008, the District had \$3,000.00 in general obligation, payable from Management Funds, for payment of early retirement insurance and a \$41,360 long term liability for accumulated sick leave and vacation pay. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

| | Total School District | | Percentage |
|----------------------|------------------------------|---------------|-------------------|
| | 2007 | 2008 | Change |
| | | | 2007-2008 |
| | \$ | \$ | |
| Early Retirement | 9,000 | 3,000 | -66% |
| Compensated Absences | 32,437 | 41,360 | 28% |
| | <u>41,437</u> | <u>44,360</u> | <u>7%</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:

- Palo Alto County has a new casino, which could/should be a major increase in county property valuation and tax revenue. However, they are at odds with the county over their valuation.
- We continue to share academic staff with Emmetsburg and continue talks with other districts as needed. Some athletic programs are shared with Spencer and others with Emmetsburg, again talks continue as needed.
- The Board has been informed of probable declining enrollment issues and that in the next five years they will face decisions regarding reductions of expenses that will be tied to declining enrollment. Certified enrollment show 250 for October 08, 253 for October 07 and 256 for October 06. Although not a huge loss, each and every student means a loss of state revenue.

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, Board Secretary; Ruthven-Ayrshire Community School, PO Box 159, Ruthven, IA 51358.

BASIC FINANCIAL STATEMENTS

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|--------------------------------|------------------|
| | \$ | \$ | \$ |
| Assets | | | |
| Cash and cash equivalents | 1,051,601 | 220 | 1,051,821 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 23,181 | - | 23,181 |
| Succeeding year | 1,067,695 | - | 1,067,695 |
| Accounts | - | 17 | 17 |
| Accrued interest | 5,865 | - | 5,865 |
| Due from other governments | 125,203 | - | 125,203 |
| Interfund balances | 2,531 | (2,531) | - |
| Inventories | - | 1,787 | 1,787 |
| Capital assets, net of accumulated depreciation | 549,720 | 17,693 | 567,413 |
| Total assets | 2,825,796 | 17,186 | 2,842,982 |
| Liabilities | | | |
| Salaries and benefits payable | 5,307 | - | 5,307 |
| Deferred revenue: | | | |
| Succeeding year property tax | 1,067,695 | - | 1,067,695 |
| Other | - | 1,797 | 1,797 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| Termination benefits | 3,000 | - | 3,000 |
| Compensated absences | 8,272 | - | 8,272 |
| Portion due after one year: | | | |
| Compensated absences | 33,088 | - | 33,088 |
| Total liabilities | 1,117,362 | 1,797 | 1,119,159 |
| Net assets | | | |
| Invested in capital assets, net of related debt | 549,720 | 17,693 | 567,413 |
| Restricted for: | | | |
| State categorical aid | 332 | - | 332 |
| Management levy | 81,030 | - | 81,030 |
| Physical plant and equipment levy | 497,997 | - | 497,997 |
| Other special revenue purposes | 45,085 | - | 45,085 |
| Local option sales tax capital projects | 301,390 | - | 301,390 |
| Unrestricted | 232,880 | (2,304) | 230,576 |
| Total net assets | 1,708,434 | 15,389 | 1,723,823 |

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

| Functions/Programs | Program Revenues | | | |
|-------------------------------------|------------------|----------------------|---|---|
| | Expenses | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| | \$ | \$ | \$ | \$ |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | 1,253,434 | 163,356 | 187,217 | - |
| Special | 362,575 | 136,978 | 15,029 | - |
| Other | 383,005 | 45,699 | 47,292 | - |
| | <u>1,999,014</u> | <u>346,033</u> | <u>249,538</u> | <u>-</u> |
| Support services: | | | | |
| Student | 6,950 | - | - | - |
| Instructional staff | 22,504 | - | 1,757 | - |
| Administration | 300,104 | - | - | - |
| Operation and maintenance of plant | 204,017 | - | - | - |
| Transportation | 123,374 | - | 2,049 | - |
| | <u>656,949</u> | <u>-</u> | <u>3,806</u> | <u>-</u> |
| Other expenditures: | | | | |
| Facilities acquisition | 48,652 | - | - | 27,394 |
| AEA flowthrough | 87,320 | - | 87,320 | - |
| Depreciation (unallocated)* | 22,368 | - | - | - |
| | <u>158,340</u> | <u>-</u> | <u>87,320</u> | <u>27,394</u> |
| Total governmental activities | 2,814,303 | 346,033 | 340,664 | 27,394 |
| Business type activities: | | | | |
| Non-instructional programs: | | | | |
| Food service operations | 118,312 | 51,101 | 59,771 | - |
| Total | <u>2,932,615</u> | <u>397,134</u> | <u>400,435</u> | <u>27,394</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 | | | | |
| 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 |
|----------------------------|--------------------------------|--------------------|
| \$ | \$ | \$ |
| (902,861) | - | (902,861) |
| (210,568) | - | (210,568) |
| (290,014) | - | (290,014) |
| <u>(1,403,443)</u> | <u>-</u> | <u>(1,403,443)</u> |
| (6,950) | - | (6,950) |
| (20,747) | - | (20,747) |
| (300,104) | - | (300,104) |
| (204,017) | - | (204,017) |
| (121,325) | - | (121,325) |
| <u>(653,143)</u> | <u>-</u> | <u>(653,143)</u> |
| (21,258) | - | (21,258) |
| - | - | - |
| (22,368) | - | (22,368) |
| <u>(43,626)</u> | <u>-</u> | <u>(43,626)</u> |
| (2,100,212) | - | (2,100,212) |
| - | (7,440) | (7,440) |
| <u>(2,100,212)</u> | <u>(7,440)</u> | <u>(2,107,652)</u> |
| 904,083 | - | 904,083 |
| 69,965 | - | 69,965 |
| 112,089 | - | 112,089 |
| 136,577 | - | 136,577 |
| 986,590 | - | 986,590 |
| 35,116 | 8 | 35,124 |
| 7,578 | - | 7,578 |
| <u>2,251,998</u> | <u>8</u> | <u>2,252,006</u> |
| 151,786 | (7,432) | 144,354 |
| <u>1,556,648</u> | <u>22,821</u> | <u>1,579,469</u> |
| <u>1,708,434</u> | <u>15,389</u> | <u>1,723,823</u> |

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

| | General Fund | Physical Plant & Equipment Levy Fund | Capital Projects - Sales Tax | Nonmajor Governmental Funds | Total |
|--|------------------|---|------------------------------------|-----------------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Assets | | | | | |
| Cash and pooled investments | 142,139 | 492,402 | 288,929 | 128,131 | 1,051,601 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 20,220 | 1,665 | - | 1,296 | 23,181 |
| Succeeding year | 965,392 | 76,303 | - | 26,000 | 1,067,695 |
| Accrued interest - other | 554 | 3,930 | 53 | 1,328 | 5,865 |
| Interfund receivable | 2,531 | - | - | - | 2,531 |
| Due from other governments | 112,795 | - | 12,408 | - | 125,203 |
| Total assets | 1,243,631 | 574,300 | 301,390 | 156,755 | 2,276,076 |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Salaries and benefits payable | 3,667 | - | - | 1,640 | 5,307 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 965,392 | 76,303 | - | 26,000 | 1,067,695 |
| Other | 83,973 | - | - | - | 83,973 |
| Total liabilities | 1,053,032 | 76,303 | - | 27,640 | 1,156,975 |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| State categorical aid | 332 | - | - | - | 332 |
| Unreserved reported in: | | | | | |
| General fund | 190,267 | - | - | - | 190,267 |
| Special revenue funds | - | 497,997 | - | 129,115 | 627,112 |
| Capital projects funds | - | - | 301,390 | - | 301,390 |
| Total fund balances | 190,599 | 497,997 | 301,390 | 129,115 | 1,119,101 |
| Total liabilities and fund balances | 1,243,631 | 574,300 | 301,390 | 156,755 | 2,276,076 |

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

\$

Total fund balances of governmental funds (Exhibit C)

1,119,101

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

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

549,720

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.

83,973

Long-term liabilities, including termination benefits payable and compensated absences payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.

(44,360)**Net assets of governmental activities (Exhibit A)**1,708,434

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

| | General Fund | Physical Plant & Equipment Levy Fund | Capital Projects - Sales Tax | Nonmajor Governmental Funds | Total |
|---|-----------------------|---|------------------------------------|-----------------------------------|-------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | 951,160 | 69,965 | 136,577 | 54,427 | 1,212,129 |
| Tuition | 267,383 | - | - | - | 267,383 |
| Other | 48,285 | 37,005 | 130 | 62,961 | 148,381 |
| Intermediate sources | 3,935 | - | - | - | 3,935 |
| State sources | 1,224,108 | - | - | - | 1,224,108 |
| Federal sources | 99,212 | - | - | - | 99,212 |
| Total revenues | <u>2,594,083</u> | <u>106,970</u> | <u>136,707</u> | <u>117,388</u> | <u>2,955,148</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 1,220,898 | 26,541 | 43,544 | 8,959 | 1,299,942 |
| Special | 362,575 | - | - | - | 362,575 |
| Other | 316,801 | - | - | 65,679 | 382,480 |
| | <u>1,900,274</u> | <u>26,541</u> | <u>43,544</u> | <u>74,638</u> | <u>2,044,997</u> |
| Support services: | | | | | |
| Student | 6,950 | - | - | - | 6,950 |
| Instructional staff | 22,504 | - | - | - | 22,504 |
| Administration | 289,428 | - | - | 1,753 | 291,181 |
| Operation and maintenance of plant | 146,631 | 27,555 | 9,640 | 29,139 | 212,965 |
| Transportation | 103,136 | - | - | 5,900 | 109,036 |
| | <u>568,649</u> | <u>27,555</u> | <u>9,640</u> | <u>36,792</u> | <u>642,636</u> |
| Other expenditures: | | | | | |
| Facilities acquisition | - | - | 48,652 | - | 48,652 |
| AEA flowthrough | 87,320 | - | - | - | 87,320 |
| | <u>87,320</u> | <u>-</u> | <u>48,652</u> | <u>-</u> | <u>135,972</u> |
| Total expenditures | <u>2,556,243</u> | <u>54,096</u> | <u>101,836</u> | <u>111,430</u> | <u>2,823,605</u> |
| Excess (deficiency) of revenues over (under) expenditures | 37,840 | 52,874 | 34,871 | 5,958 | 131,543 |
| Other financing sources (uses): | | | | | |
| Sales of equipment and real property | 356 | - | - | - | 356 |
| Net change in fund balances | 38,196 | 52,874 | 34,871 | 5,958 | 131,899 |
| Fund balances beginning of year | <u>152,403</u> | <u>445,123</u> | <u>266,519</u> | <u>123,157</u> | <u>987,202</u> |
| Fund balances end of year | <u><u>190,599</u></u> | <u><u>497,997</u></u> | <u><u>301,390</u></u> | <u><u>129,115</u></u> | <u><u>1,119,101</u></u> |

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, 2008

| | \$ | \$ |
|--|-----------------|-----------------------|
| Net change in fund balances - total governmental funds (Exhibit E) | | 131,899 |
| <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i> | | |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows: | | |
| Expenditures for capital assets | 69,514 | |
| Depreciation expense | <u>(57,289)</u> | 12,225 |
| Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. | | |
| | | 10,585 |
| 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 | 6,000 | |
| Compensated absences | <u>(8,923)</u> | <u>(2,923)</u> |
| Changes in net assets of governmental activities (Exhibit B) | | <u><u>151,786</u></u> |

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2008

| | Nonmajor School Nutrition Fund |
|---|---|
| | <u> </u> \$ |
| Assets | |
| Cash and cash equivalents | 220 |
| Accounts receivable | 17 |
| Inventories | 1,787 |
| Capital assets net of accumulated depreciation | <u>17,693</u> |
| Total assets | <u>19,717</u> |
| Liabilities | |
| Interfund payable | 2,531 |
| Deferred revenue | <u>1,797</u> |
| Total liabilities | <u>4,328</u> |
| Net assets | |
| Invested in capital assets, net of related debt | 17,693 |
| Unrestricted | <u>(2,304)</u> |
| Total net assets | <u><u>15,389</u></u> |

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

| | Nonmajor School Nutrition |
|------------------------------|---------------------------------|
| | <u>\$</u> |
| Operating revenues: | |
| Local sources: | |
| Charges for service | <u>51,101</u> |
| Operating expenses: | |
| Non-instructional programs: | |
| Salaries | 42,361 |
| Benefits | 5,785 |
| Supplies | 67,842 |
| Depreciation | 2,324 |
| Total operating expenses | <u>118,312</u> |
| Operating gain (loss) | <u>(67,211)</u> |
| Non-operating revenues: | |
| State sources | 1,629 |
| Federal sources | 58,142 |
| Interest income | 8 |
| Total non-operating revenues | <u>59,779</u> |
| Change in net assets | (7,432) |
| Net assets beginning of year | <u>22,821</u> |
| Net assets end of year | <u><u>15,389</u></u> |

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2008

| | Nonmajor School Nutrition Fund |
|--|---|
| | <u>\$</u> |
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | 51,084 |
| Cash payments to employees for services | (48,146) |
| Cash payments to suppliers for goods or services | (60,613) |
| Net cash used by operating activities | <u>(57,675)</u> |
| Cash flows from non-capital financing activities: | |
| State grants received | 1,629 |
| Federal grants received | 50,589 |
| Net cash provided by non-capital financing activities | <u>52,218</u> |
| Cash flows from capital and related financing activities | |
| Interfund loan | <u>2,531</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>8</u> |
| Net increase (decrease) in cash and cash equivalents | (2,918) |
| Cash and cash equivalents at beginning of year | <u>3,138</u> |
| Cash and cash equivalents at end of year | <u><u>220</u></u> |
| Reconciliation of operating gain (loss) to net cash used by operating activities: | |
| Operating gain (loss) | (67,211) |
| Adjustments to reconcile operating gain (loss) to net cash used by operating activities: | |
| Commodities used | 7,553 |
| Depreciation | 2,324 |
| Decrease (increase) in inventories | (247) |
| Decrease (increase) in accounts receivable | (17) |
| (Decrease) increase in accounts payable | (94) |
| (Decrease) increase in deferred revenue | 17 |
| Net cash used by operating activities | <u>(57,675)</u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$7,553 of federal commodities.

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

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 preschool 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 attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental 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 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 Capital Projects (SILO) Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 Governmental Accounting Standards Board pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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 or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in 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 not available for appropriation or 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 are 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, 2008, expenditures did not exceed the amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 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, 2008 is as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------|--|--------|
| | | \$ |
| General Fund | Nonmajor Enterprise: Nutrition Fund | 2,531 |

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

4. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|----------------|---------------|------------------------|
| | \$ | \$ | \$ | \$ |
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | 10,567 | - | - | 10,567 |
| Capital assets being depreciated: | | | | |
| Buildings | 934,322 | - | - | 934,322 |
| Improvements other than buildings | 137,227 | - | - | 137,227 |
| Furniture and equipment | 618,390 | 69,514 | 11,000 | 676,904 |
| Total capital assets being deprec. | <u>1,689,939</u> | <u>69,514</u> | <u>11,000</u> | <u>1,748,453</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 523,339 | 21,299 | - | 544,638 |
| Improvements other than buildings | 122,155 | 1,069 | - | 123,224 |
| Furniture and equipment | 517,517 | 34,921 | 11,000 | 541,438 |
| Total accumulated depreciation | <u>1,163,011</u> | <u>57,289</u> | <u>11,000</u> | <u>1,209,300</u> |
| Total capital assets being depreciated, net | <u>526,928</u> | <u>12,225</u> | - | <u>539,153</u> |
| Governmental activities capital assets, net | <u>537,495</u> | <u>12,225</u> | - | <u>549,720</u> |
| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
| | \$ | \$ | \$ | \$ |
| Business type activities: | | | | |
| Furniture and equipment | 65,861 | - | - | 65,861 |
| Less accumulated depreciation | 45,844 | 2,324 | - | 48,168 |
| Business type activities capital assets, net | <u>20,017</u> | <u>(2,324)</u> | - | <u>17,693</u> |

Depreciation expense was charged to the following functions:

| | Amount |
|--|---------------|
| | \$ |
| Governmental activities: | |
| Instruction: | |
| Regular | 18,732 |
| Other | 1,159 |
| Support services: | |
| Operation and maintenance of plant services | 692 |
| Transportation | 14,338 |
| | <u>34,921</u> |
| Unallocated depreciation | <u>22,368</u> |
| Total depreciation expense – governmental activities | <u>57,289</u> |
| Business type activities: | |
| Food services | <u>2,324</u> |

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008, are summarized as follows:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|----------------------|---------------------------------|--------------|--------------|------------------------|------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Compensated absences | 32,437 | 8,923 | - | 41,360 | 8,272 |
| Termination benefits | 9,000 | - | 6,000 | 3,000 | 3,000 |
| Total | <u>41,437</u> | <u>8,923</u> | <u>6,000</u> | <u>44,360</u> | <u>11,272</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, 2008, the District has obligations to two participants with a total liability of \$3,000. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$6,000.

6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits 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 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$93,075, \$81,633, and \$76,303 respectively, equal to the required contributions for each year.

7. 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.

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$87,320 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

9. 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 two years are as follows:

| <u>Year Ended</u> <u>June 30</u> | <u>Lease Payment</u> |
|-------------------------------------|----------------------|
| | \$ |
| 2009 | 12,024 |
| 2010 | 9,018 |

REQUIRED SUPPLEMENTARY INFORMATION

RUTHVEN-AYRSHIRE 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, 2008

| | Governmental Fund Actual | Proprietary Fund Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance - Positive (Negative) |
|--|-----------------------------|----------------------------|-------------------------|-----------------------|-----------------------|---|
| | | | | Original | Final | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | | |
| Local sources | 1,627,893 | 51,109 | 1,679,002 | 1,613,857 | 1,613,857 | 65,145 |
| Intermediate sources | 3,935 | - | 3,935 | 1,550 | 1,550 | 2,385 |
| State sources | 1,224,108 | 1,629 | 1,225,737 | 1,214,823 | 1,214,823 | 10,914 |
| Federal sources | 99,212 | 58,142 | 157,354 | 171,000 | 171,000 | (13,646) |
| Total revenues | <u>2,955,148</u> | <u>110,880</u> | <u>3,066,028</u> | <u>3,001,230</u> | <u>3,001,230</u> | <u>64,798</u> |
| Expenditures/Expenses: | | | | | | |
| Instruction | 2,044,997 | - | 2,044,997 | 2,106,000 | 2,106,000 | 61,003 |
| Support services | 642,636 | - | 642,636 | 978,300 | 978,300 | 335,664 |
| Non-instructional programs | - | 118,312 | 118,312 | 140,000 | 140,000 | 21,688 |
| Other expenditures | 135,972 | - | 135,972 | 140,358 | 140,358 | 4,386 |
| Total expenditures/expenses | <u>2,823,605</u> | <u>118,312</u> | <u>2,941,917</u> | <u>3,364,658</u> | <u>3,364,658</u> | <u>422,741</u> |
| Excess (deficiency) of revenues over (under) expenditures/expenses | 131,543 | (7,432) | 124,111 | (363,428) | (363,428) | 487,539 |
| Other financing sources (uses) net | <u>356</u> | <u>-</u> | <u>356</u> | <u>-</u> | <u>-</u> | <u>356</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses: | 131,899 | (7,432) | 124,467 | (363,428) | (363,428) | 487,895 |
| Balance beginning of year | <u>987,202</u> | <u>22,821</u> | <u>1,010,023</u> | <u>1,003,406</u> | <u>1,003,406</u> | <u>6,617</u> |
| Balance end of year | <u><u>1,119,101</u></u> | <u><u>15,389</u></u> | <u><u>1,134,490</u></u> | <u><u>639,978</u></u> | <u><u>639,978</u></u> | <u><u>494,512</u></u> |

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

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

During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

| Assets | Special Revenue Funds | | Total |
|--|-----------------------|-----------------------------|----------------|
| | Management Levy | Student Activity Fund | |
| | \$ | \$ | \$ |
| Cash and pooled investments | 83,046 | 45,085 | 128,131 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 1,296 | - | 1,296 |
| Succeeding year | 26,000 | - | 26,000 |
| Accrued interest | 1,328 | - | 1,328 |
| Total assets | 111,670 | 45,085 | 156,755 |
| Liabilities & Fund Balances | | | |
| Liabilities: | | | |
| Salaries and benefits payable | 1,640 | - | 1,640 |
| Deferred revenue: | | | |
| Succeeding year property tax | 26,000 | - | 26,000 |
| Total liabilities | 27,640 | - | 27,640 |
| Fund balances: | | | |
| Unreserved reported in: | | | |
| Special revenue funds | 84,030 | 45,085 | 129,115 |
| Total liabilities and fund balances | 111,670 | 45,085 | 156,755 |

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

| | <u>Special Revenue Funds</u> | | <u>Total</u> |
|---|------------------------------|----------------------|-----------------------|
| | <u>Management</u> | <u>Activity</u> | |
| | <u>Levy</u> | <u>Fund</u> | |
| | \$ | \$ | \$ |
| Revenues: | | | |
| Local sources: | | | |
| Local tax | 54,427 | - | 54,427 |
| Other | 9,266 | 53,695 | 62,961 |
| Total revenues | <u>63,693</u> | <u>53,695</u> | <u>117,388</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 8,959 | - | 8,959 |
| Other | - | 65,679 | 65,679 |
| Support services: | | | |
| Administration services | 1,753 | - | 1,753 |
| Operation and maintenance of plant | 29,139 | - | 29,139 |
| Transportation | 5,900 | - | 5,900 |
| Total expenditures | <u>45,751</u> | <u>65,679</u> | <u>111,430</u> |
| Excess (deficiency) of revenues over (under) expenditures | 17,942 | (11,984) | 5,958 |
| Fund balances beginning of year | <u>66,088</u> | <u>57,069</u> | <u>123,157</u> |
| Fund balances end of year | <u><u>84,030</u></u> | <u><u>45,085</u></u> | <u><u>129,115</u></u> |

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

| <u>Account</u> | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|------------------------|---------------------------------|---------------|---------------|------------------------|
| | \$ | \$ | \$ | \$ |
| Drama | 249 | - | - | 249 |
| Basketball | 18,081 | 81 | 6,288 | 11,874 |
| Track | 642 | 1,220 | 1,654 | 208 |
| Golf | 1,961 | 105 | 120 | 1,946 |
| Football | 3,417 | 5,667 | 8,024 | 1,060 |
| Baseball | (2,407) | 6,165 | 3,575 | 183 |
| Wrestling | 14 | - | - | 14 |
| Volleyball | 5,240 | 485 | 1,582 | 4,143 |
| Softball | 25 | 3,180 | 2,571 | 634 |
| BB club | 3,673 | - | 3,605 | 68 |
| R/A club | 811 | 1,718 | 2,498 | 31 |
| National Honor Society | 49 | 8,373 | 8,110 | 312 |
| Music | 421 | 1,107 | 1,007 | 521 |
| Cheerleaders | 135 | 1,800 | 1,718 | 217 |
| Activity tickets | 3,726 | 1,113 | 4,498 | 341 |
| Book fair | 478 | 881 | 886 | 473 |
| Yearbook | 4,257 | 6,017 | 4,671 | 5,603 |
| Interest | 4,006 | 75 | - | 4,081 |
| Student council | 2,788 | 558 | - | 3,346 |
| Mentor club | 1,027 | - | 868 | 159 |
| Art club | 233 | 220 | - | 453 |
| Marketing club | 450 | 2,130 | 1,905 | 675 |
| Earth day fund raiser | 1,166 | 814 | 1,278 | 702 |
| Class of 2006 | 3,026 | - | 266 | 2,760 |
| Class of 2007 | 440 | - | 440 | - |
| Class of 2008 | 3,161 | 510 | 2,190 | 1,481 |
| Class of 2009 | - | 11,476 | 7,925 | 3,551 |
| | <u>57,069</u> | <u>53,695</u> | <u>65,679</u> | <u>45,085</u> |
| Total | <u>57,069</u> | <u>53,695</u> | <u>65,679</u> | <u>45,085</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 | | | |
|------------------------------------|------------------------|------------------|------------------|------------------|
| | 2008 | 2007 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | 1,212,129 | 1,205,671 | 954,979 | 1,032,929 |
| Tuition | 267,383 | 272,804 | 170,261 | 158,525 |
| Other | 148,381 | 137,809 | 212,767 | 207,778 |
| Intermediate sources | 3,935 | - | 1,510 | - |
| State sources | 1,224,108 | 1,005,190 | 987,297 | 1,012,684 |
| Federal sources | 99,212 | 103,754 | 111,990 | 107,936 |
| | <u>2,955,148</u> | <u>2,725,228</u> | <u>2,438,804</u> | <u>2,519,852</u> |
| Total revenues | | | | |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular | 1,299,942 | 1,254,302 | 1,168,249 | 1,086,146 |
| Special | 362,575 | 361,057 | 253,347 | 274,288 |
| Other | 382,480 | 269,209 | 259,477 | 249,753 |
| Support services: | | | | |
| Student | 6,950 | 59,213 | 54,978 | 54,654 |
| Instructional staff | 22,504 | 25,789 | 24,005 | 18,141 |
| Administration | 291,181 | 306,552 | 271,653 | 311,179 |
| Operation and maintenance of plant | 212,965 | 179,692 | 168,820 | 171,899 |
| Transportation | 109,036 | 94,943 | 91,962 | 103,514 |
| Other expenditures: | | | | |
| Facilities acquisition | 48,652 | 119,396 | 65,160 | 105,492 |
| AEA flowthrough | 87,320 | 81,279 | 78,274 | 85,406 |
| | <u>2,823,605</u> | <u>2,751,432</u> | <u>2,435,925</u> | <u>2,460,472</u> |
| Total expenditures | | | | |

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

To the Board of Education of
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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 29, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Ruthven-Ayrshire Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ruthven-Ayrshire Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Ruthven-Ayrshire Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Ruthven-Ayrshire Community School District's financial statements that is more than inconsequential will not be prevented or detected by Ruthven-Ayrshire Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Ruthven-Ayrshire Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 08-I-A, 08-I-B, 08-I-C and 08-I-D 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 and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 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 findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Ruthven-Ayrshire Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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

April 29, 2009

Ruthven-Ayrshire Community School District

Schedule of Findings and Responses

June 30, 2008

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

08-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, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important 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: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

08-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.

08-I-C Bank Reconciliations: One of the main internal controls over the cash balances reported in the accounting records is the preparation of a monthly reconciliation of the bank statements to the cash balances in the financial records. The cash balances in the computer financial accounting records were not reconciled to the bank.

Recommendation: Bank reconciliations should be prepared monthly. Any variances between the bank reconciliation and the cash balances in the financial statements should be investigated and resolved.

District Response: Monthly bank reconciliations will be prepared.

Conclusion: Response accepted.

Ruthven-Ayrshire Community School District

Schedule of Findings and Responses

June 30, 2008

Part I: Findings Related to the Financial Statements (continued):

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

Ruthven-Ayrshire Community School District

Schedule of Findings

June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

- 08-II-A Certified Budget: Expenditures for the year ended June 30, 2008, did not exceed the amounts budgeted.
- 08-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.
- 08-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.
- 08-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 08-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.
- 08-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 08-II-G Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on Line 14 of the Certified Enrollment Certification Form for October 2007, was overstated by one student.
- Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- District Response: We will contact these departments.
- Conclusion: Response accepted.
- 08-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.
- 08-II-I Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 08-II-J Physical Plant and Equipment Levy and Local Option Sales Tax Capital Projects Funds: The physical plant and equipment property tax levy and the local option sales tax may be used to purchase a single unit of equipment with a cost exceeding \$500. We noted expenditures from the PPEL and the local option sales tax for chairs, tables and desks, with a per unit cost below \$500.

Ruthven-Ayrshire Community School District

Schedule of Findings

June 30, 2008

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

Recommendation: The District should review the types of expenditures allowable from these two funds.

District Response: We will monitor expenditures from these funds.

Conclusion: Response accepted.

08-II-K Student Activity Fund Accounts: We noted that the Student Activity Fund has an interest account. The Student Activity Fund is to be used for extracurricular student activities only.

Recommendation: The District should review the types of transactions in the Student Activity Fund. Any interest should be allocated to the accounts which earned it.

District Response: We will review the types of transactions recorded in the Student Activity Fund.

Conclusion: Response accepted.