RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

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RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Officials

Name	Title	Term Expires
Board of Education		
(Before September 2009 Election)		
Susan Sikora	President	2009
Lisa Berkland	Vice President	2011
Ray Grandstaff	Board Member	2011
Dave Forey	Board Member	2011
Matt Graves	Board Member	2011
Dan Geelan	Board Member	2009
Barry Fischer	Board Member	2009
(After September 2009 Election)		
Susan Sikora	President	2013
Lisa Berkland	Vice President	2011
Ray Grandstaff	Board Member	2011
Dave Forey	Board Member	2011
Matt Graves	Board Member	2011
Tammy Chapman	Board Member	2013
Barry Fischer	Board Member	2013
School Officials		
Ervin Rowlands	Superintendent	
Regina Reynolds	District Secretary/Treasurer	

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

Gary E. Horton CPA

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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, 2010, which collectively comprise the District's basic financial statements 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, 2010, 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 March 9, 2011, 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 35 through 37 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, 2009, 2008, 2007 and 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the years ended June 30, 2005 and 2004 (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

March 9, 2011

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 Financial Highlights

- General Fund revenues increased from $2,642,529 in fiscal 2009 to $2,763,183 in fiscal 2010, while General Fund expenditures increased from $2,734,136 in fiscal 2009 to $2,827,898 in fiscal 2010. The District's General Fund balance decreased from $98,992 in fiscal 2009 to $34,936 in fiscal 2010, a 65% decrease.

- The increase in General Fund revenues was attributable to an increase in local property tax in fiscal 2010. 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 2010. 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-1

Ruthven-Ayrshire Community School District Annual Financial Report

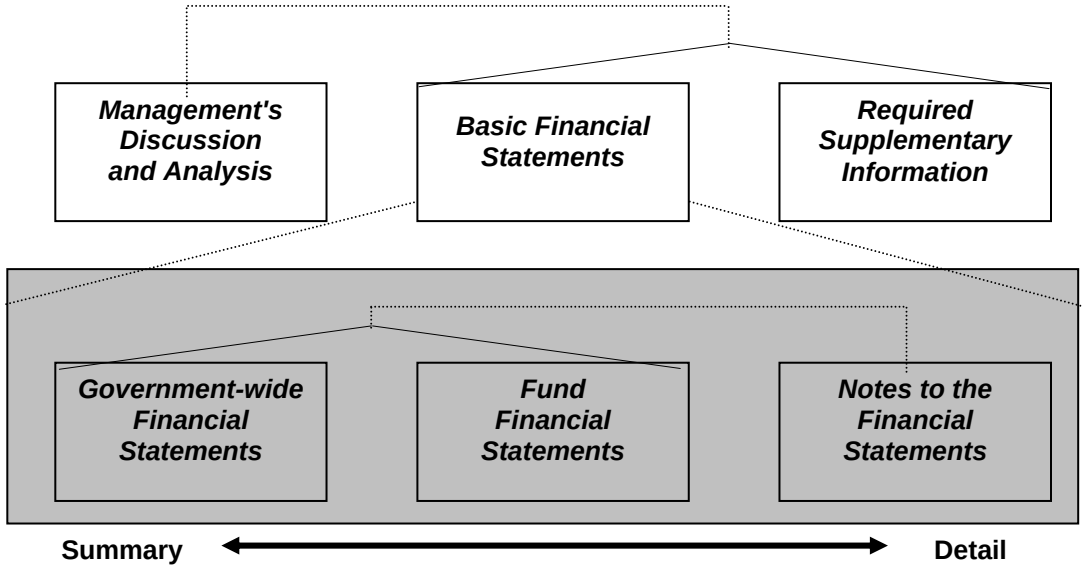

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• 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, 2010 compared to June 30, 2009.

Figure A-3

	Condensed Statement of Net Assets						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2009	2010	2009	2010	2009	2010	2009-2010
	$	$	$	$	$	$	
Current and other assets	2,749,730	3,085,864	438	11,224	2,750,168	3,097,088	13%
Capital assets	653,424	687,019	15,488	13.285	668,912	700,304	5%
Total assets	**3,403,154**	**3,772,883**	**15,926**	**24,509**	**3,419,080**	**3,797,392**	**11%**
Long-term liabilities	32,451	203,611	-	-	32,451	203,611	527%
Other liabilities	1,639,793	2,037,024	1,396	1,911	1,641,189	2,038,935	24%
Total liabilities	**1,672,244**	**2,240,635**	**1,396**	**1,911**	**1,673,640**	**2,242,546**	**34%**
Net Assets:							
Invested in capital assets, net of related debt	653,424	687,019	15,488	13,285	668,912	700,304	5%
Restricted	916,380	843,630	-	-	916,380	843,630	-8%
Unrestricted	161,106	1,599	(958)	9,313	160,148	10,912	-93%
TOTAL NET ASSETS	**1,730,910**	**1,532,248**	**14,530**	**22,598**	**1,745,440**	**1,554,846**	**-11%**

The District's combined net assets decreased by 11%, or approximately $190,594, 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 decreased approximately $72,750 or 8% over the prior year. Most of the decrease was due to cutbacks in state funding as well as taxes that were not collected, but spent in fiscal year 2010.

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 $149,236, or 93%. 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, 2010 and 2009.

Figure A-4

	Change in Net Assets						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2009	2010	2009	2010	2009	2010	2009-2010
	$	$	$	$	$	$	
Revenues							
Program Revenues:							
Charges for services	289,016	327,301	60,538	54,656	349,554	381,957	9%
Operating grants & contributions	382,687	622,485	56,926	71,016	439,613	693,501	58%
Capital grants & contributions	-	-	-	-	-	-	-
General Revenues:							
Property taxes	1, 057,781	1,171,316	-	-	1,057,781	1,171,316	11%
Statewide sales & services tax	157,610	125,627	-	-	157,610	125,627	-20%
Income Surtax	125,334	118,290	-	-	125,334	118,290	-6%
Unrestricted state grants	940,242	766,916	-		940,242	766,916	-18%
Unrestricted investment earnings	24,897	16,056	-	3	24,897	16,059	-35%
Other revenue	47,637	21,686	-	-	47,637	21,686	-54%
Total Revenues	3,025,204	3,169,677	117,464	125,675	3,142,668	3,295,352	5%
Expenses:							
Instruction	2,160,665	2,386,657	-	-	2,160,665	2,386,657	10%
Support services	674,275	709,446	-	-	674,275	709,446	5%
Non-instructional programs		-	118,323	117,607	118,323	117,607	-1%
Other expenditures	167,788	272,236	-	-	167,788	272,236	62%
Total expenses	3,002,728	3,368,339	118,323	117,607	3,121,051	3,485,946	12%
CHANGE IN NET ASSETS	22,476	(198,662)	(859)	8,068	21,617	(190,594)	-982%
Net assets beginning of year	1,708,434	1,730,910	15,389	14,530	1,723,823	1,745,440	1%
Net assets end of year	1,730,910	1,532,248	14,530	22,598	1,745,440	1,554,846	-11%

Property tax ($1,171,316) and unrestricted state grants ($766,916) account for $1,958,232 or 59% of the total revenue. The District's expenses primarily relate to instruction and support services ($3,096,103) which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were $3,169,677 and expenses were $3,368,339. District used carryover fund balance to meet its financial obligations during the year.

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		
	2009	2010	Change 2009-2010	2009	2010	Change 2009-2010
	$	$		$	$	
Instruction	2,160,665	2,386,657	10%	1,582,490	1,633,799	3%
Support Services	674,275	709,446	5%	672,696	664,738	-1%
Other Expenses	167,788	272,236	62%	75,839	120,016	58%
TOTAL	**3,002,728**	**3,368,339**	**12%**	**2,331,025**	**2,418,553**	**4%**

- The cost financed by users of the District's programs was $327,301. 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 $622,485.
- The net cost of governmental activities was financed with $1,171,316 in property taxes and $766,916 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were $125,675 and expenses were $117,607. 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. However by increasing meal charges we were able to begin re-building our cash balance. For FY11 we will have 3 cooks instead of 4, which should also help to re-build our cash balance.

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 $940,956, below last year's ending fund balances of $1,008,993.

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 decreased from $414,559 in fiscal 2009 to $376,485 in fiscal 2010. The balance in the PPEL Fund must be used for future capital repairs, improvements and equipment purchases.
- The Capital Projects Fund (SILO) balance is $421,297. This balance must also be used for future capital improvements and equipment purchases.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from $14,530 at June 30, 2009 to $22,598 on June 30, 2010, representing a increase of approximately 55%. For fiscal 2010, the District increased meal prices which helped to begin re-building our cash balance. For FY11 we will have 3 cooks instead of 4, which should also help to re-build our cash balance.

BUDGETARY HIGHLIGHTS

The District's receipts were $104,627 less than budgeted receipts, a variance of 3%; caused by across the board state cuts.

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.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditure functional area.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested $700,304, 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 5% 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 $101,624.

During fiscal year 2010 the District spent approximately $5,869 on a softball field project, $23,125 on our computer server and networking system, $50,585 for computers, $9,402 on overhead projector project, $11,884 in the locker rooms, $9,402 for window and plumbing upgrades, $3,569 on JH lighting improvements and $2,856 for new carpet.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2009	**2010**	**2009**	**2010**	**2009**	**2010**	**2009-2010**
	$	$	$	$	$	$	
Land	10,567	10,567	-	-	10,567	10,567	0%
Buildings	368,385	437,806	-	-	368,385	437,806	19%
Improvements	69,812	65,827	-	-	69,812	65,827	-6%
Equipment & Furniture	204,660	172,819	15,488	13,285	220,148	186,104	-15%
TOTAL	**653,424**	**687,019**	**15,488**	**13,285**	**668,912**	**700,304**	**5%**

Long-Term Debt

At June 30, 2009, the District had $203,611 in long term debt outstanding. This represents an increase of approximately 527% from last year. (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 Change
	2009	2010	2009-2010
	$	$	
Compensated absences	32,451	2,886	-91%
Termination benefits	-	182,640	100%
Net OPEB liability	-	18,085	100%
	32,451	203,611	527%

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 casino, which could/should be a major increase in county property valuation and tax revenue.

- We continue to share academic staff with Clay Central Everly, and continue talks with other districts as needed. Some athletic programs are shared with Spencer and others with Emmetsburg, again talks continue as needed. (FY11 we will be sharing staff with CCE and Spencer and several sports with Graettinger-Terril.)

- 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. However, enrollment for FY11 showed an increase. Certified enrollment show 261 for October 10, 250 for October 09, 250 for October 08, 253 for October 07 and 256 for October 06.

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

Exhibit A

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	$	$	$
Assets			
Cash and cash equivalents	1,512,251	9,053	1,521,304
Receivables:			
Property tax:			
Delinquent	16,109	-	16,109
Succeeding year	1,377,026	-	1,377,026
Accounts	20,287	56	20,343
Due from other governments	160,191	-	160,191
Inventories	-	2,115	2,115
Capital assets, net of accumulated depreciation	687,019	13,285	700,304
Total assets	3,772,883	24,509	3,797,392
Liabilities			
Warrants in excess bank balance	586,895	-	586,895
Accounts payable	58,570	-	58,570
Salaries and benefits payable	14,533	-	14,533
Deferred revenue:			
Succeeding year property tax	1,377,026	-	1,377,026
Other	-	1,911	1,911
Long-term liabilities:			
Portion due within one year:			
Termination benefits	18,264	-	18,264
Compensated absences	1,443	-	1,443
Portion due after one year:			
Net OPEB liability	18,085	-	18,085
Termination benefits	164,376	-	164,376
Compensated absences	1,443	-	1,443
Total liabilities	2,240,635	1,911	2,242,546
Net assets			
Invested in capital assets, net of related debt	687,019	13,285	700,304
Restricted for:			
Categorical funding	1,741	-	1,741
Physical plant and equipment levy	376,485	-	376,485
Other special revenue purposes	44,107	-	44,107
Sales tax capital projects	421,297	-	421,297
Unrestricted	1,599	9,313	10,912
Total net assets	1,532,248	22,598	1,554,846

See notes to financial statements.

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	$	$	$	$
Governmental activities:				
Instruction:				
Regular	1,568,713	153,925	363,290	-
Special	374,588	82,013	50,057	-
Other	443,356	48,548	55,025	-
	2,386,657	284,486	468,372	-
Support services:				
Student	8,584	-	-	-
Instructional staff	25,883	-	-	-
Administration	312,478	34,114	-	-
Operation and maintenance of plant	228,720	-	-	-
Transportation	133,781	8,701	1,893	-
	709,446	42,815	1,893	-
Other expenditures:				
Facilities acquisition	138,578	-	48,620	-
AEA flowthrough	103,600	-	103,600	-
Depreciation (unallocated)*	30,058	-	-	-
	272,236	-	152,220	-
Total governmental activities	3,368,339	327,301	622,485	-
Business type activities:				
Non-instructional programs:				
Food service operations	117,607	54,656	71,016	-
Total	3,485,946	381,957	693,501	-
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Statewide sales and services tax				
Income surtax				
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
$	$	$
(1,051,498)	-	(1,051,498)
(242,518)	-	(242,518)
(339,783)	-	(339,783)
(1,633,799)	-	(1,633,799)
(8,584)	-	(8,584)
(25,883)	-	(25,883)
(278,364)	-	(278,364)
(228,720)	-	(228,720)
(123,187)	-	(123,187)
(664,738)	-	(664,738)
(89,958)	-	(89,958)
-	-	-
(30,058)	-	(30,058)
(120,016)	-	(120,016)
(2,418,553)	-	(2,418,553)
-	8,065	8,065
(2,418,553)	8,065	(2,410,488)
1,091,651	-	1,091,651
79,665	-	79,665
125,627	-	125,627
118,290	-	118,290
766,916	-	766,916
16,056	3	16,059
21,686	-	21,686
2,219,891	3	2,219,894
(198,662)	8,068	(190,594)
1,730,910	14,530	1,745,440
1,532,248	22,598	1,554,846

Exhibit C

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Physical Plant & Equipment Levy Fund	Capital Projects - Sales Tax	Nonmajor Governmental Funds	Total
	$	$	$	$	$
Assets					
Cash and pooled investments	587,057	364,867	425,341	134,986	1,512,251
Receivables:					
Property tax:					
Delinquent	14,186	1,088	-	835	16,109
Succeeding year	1,189,810	92,216	-	95,000	1,377,026
Accounts	9,562	10,530	1	194	20,287
Interfund receivable	45,086	-	-	-	45,086
Due from other governments	143,302	-	16,889	-	160,191
Total assets	1,989,003	468,701	442,231	231,015	3,130,950
Liabilities and Fund Balances					
Liabilities:					
Warrants issued in excess of bank balance	586,895	-	-	-	586,895
Accounts payable	56,584	-	-	1,986	58,570
Salaries and benefits payable	12,894	-	-	1,639	14,533
Interfund payable	-	-	20,934	24,152	45,086
Deferred revenue:					
Succeeding year property tax	1,189,810	92,216	-	95,000	1,377,026
Income surtax	107,884	-	-	-	107,884
Total liabilities	1,954,067	92,216	20,934	122,777	2,189,994
Fund balances:					
Reserved for:					
Categorical funding	1,741	-	-	-	1,741
Unreserved reported in:					
General fund	33,195	-	-	-	33,195
Special revenue funds	-	376,485	-	108,238	484,723
Capital projects funds	-	-	421,297	-	421,297
Total fund balances	34,936	376,485	421,297	108,238	940,956
Total liabilities and fund balances	1,989,003	468,701	442,231	231,015	3,130,950

See notes to financial statements.

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

	$
Total fund balances of governmental funds (Exhibit C)	940,956
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.	687,019
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	107,884
Long-term liabilities, including termination benefits, compensated absences and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	(203,611)
Net assets of governmental activities (Exhibit A)	1,532,248

See notes to financial statements.

Exhibit E

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Physical Plant & Equipment Levy Fund	Capital Projects - Sales Tax	Nonmajor Governmental Funds	Total
	$	$	$	$	$
Revenues:					
Local sources:					
Local tax	1,143,061	79,665	125,627	59,940	1,408,293
Tuition	209,818	-	-	-	209,818
Other	69,626	45,461	26,722	61,376	203,185
State sources	1,050,510	61	-	43	1,050,614
Federal sources	290,168	-	-	-	290,168
Total revenues	2,763,183	125,187	152,349	121,359	3,162,078
Expenditures:					
Current:					
Instruction:					
Regular	1,380,946	6,405	-	4,902	1,392,253
Special	374,588	-	-	-	374,588
Other	384,647	-	-	57,848	442,495
	2,140,181	6,405	-	62,750	2,209,336
Support services:					
Student	7,063	-	-	-	7,063
Instructional staff	25,883	-	-	-	25,883
Administration	291,037	-	-	17,996	309,033
Operation and maintenance of plant	149,783	31,872	5,868	38,195	225,718
Transportation	110,351	-	-	5,718	116,069
	584,117	31,872	5,868	61,909	683,766
Other expenditures:					
Facilities acquisition	-	124,984	109,088	-	234,072
AEA flowthrough	103,600	-	-	-	103,600
	103,600	124,984	109,088	-	337,672
Total expenditures	2,827,898	163,261	114,956	124,659	3,230,774
Excess (deficiency) of revenues over (under) expenditures	(64,715)	(38,074)	37,393	(3,300)	(68,696)
Other financing sources (uses):					
Sales of equipment and real property	659	-	-	-	659
Net change in fund balances	(64,056)	(38,074)	37,393	(3,300)	(68,037)
Fund balances beginning of year	98,992	414,559	383,904	111,538	1,008,993
Fund balances end of year	34,936	376,485	421,297	108,238	940,956

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, 2010

	$	$
Net change in fund balances - total governmental funds (Exhibit E)		(68,037)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	133,016	
Depreciation expense	(99,421)	33,595
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.		6,940
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	(182,640)	
Compensated absences	29,565	
Other postemployment benefits	(18,085)	(171,160)
Changes in net assets of governmental activities (Exhibit B)		(198,662)

See notes to financial statements.

Exhibit G

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Nonmajor School Nutrition
	$
Assets	
Cash and cash equivalents	9,053
Accounts recievable	56
Inventories	2,115
Capital assets net of accumulated depreciation	13,285
Total assets	24,509
Liabilities	
Deferred revenue	1,911
Net assets	
Invested in capital assets	13,285
Unrestricted	9,313
Total net assets	22,598

See notes to financial statements

Exhibit H

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Nonmajor School Nutrition
	$
Operating revenues:	
Local sources:	
Charges for service	54,656
Operating expenses:	
Non-instructional programs:	
Salaries	44,906
Benefits	6,384
Supplies	64,114
Depreciation	2,203
Total operating expenses	117,607
Operating gain (loss)	(62,951)
Non-operating revenues:	
State sources	1,376
Federal sources	69,640
Interest income	3
Total non-operating revenues	71,019
Change in net assets	8,068
Net assets beginning of year	14,530
Net assets end of year	22,598

See notes to financial statements.

Exhibit I

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Nonmajor School Nutrition
	$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	55,267
Cash payments to employees for services	(51,290)
Cash payments to suppliers for goods or services	(55,492)
Net cash used by operating activities	(51,515)
Cash flows from non-capital financing activities:	
State grants received	1,376
Federal grants received	60,626
Loan to general fund	(2,377)
Net cash provided by non-capital financing activities	59,625
Cash flows from capital and related financing activities	-
Cash flows from investing activities:	
Interest on investments	3
Net increase (decrease) in cash and cash equivalents	8,113
Cash and cash equivalents at beginning of year	940
Cash and cash equivalents at end of year	9,053
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(62,951)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	9,014
Depreciation	2,203
Decrease (increase) in inventories	(392)
Decrease (increase) in accounts receivable	96
(Decrease) increase in deferred revenue	515
Net cash used by operating activities	(51,515)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received $9,014 of federal commodities.

See notes to financial statements.

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 instructional, 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net 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.

Asset Class	Amount
	$
Land	2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	25,000
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:

Asset Class	Estimated Useful Lives
Buildings	20-50 years
Improvements other than buildings	20-50 years
Intangibles	3-20 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, 2010. 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, 2010, expenditures exceeded the amount budgeted in the other expenditures function.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 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, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
		$
General Fund	Nonmajor Governmental: Management Fund	24,152
General Fund	Capital Projects Fund	20,934

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

4. Capital Assets

Capital assets activity for the year ended June 30, 2010 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	95,494	-	1,029,816
Improvements other than buildings	195,564	-	-	195,564
Furniture and equipment	794,475	37,522	31,939	800,058
Total capital assets being deprec.	1,924,361	133,016	31,939	2,025,438
Less accumulated depreciation for:				
Buildings	565,937	26,073	-	592,010
Improvements other than buildings	125,752	3,985	-	129,737
Furniture and equipment	589,815	69,363	31,939	627,239
Total accumulated depreciation	1,281,504	99,421	31,939	1,348,986
Total capital assets being depreciated, net	642,857	33,595	-	676,452
Governmental activities capital assets, net	653,424	33,595	-	687,019

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	$	$	$	$
Business type activities:				
Furniture and equipment	65,861	-	-	65,861
Less accumulated depreciation	50,373	2,203	-	52,576
Business type activities capital assets, net	15,488	(2,203)	-	13,285

Depreciation expense was charged to the following functions:

	Amount
	$
Governmental activities:	
Instruction:	
Regular	48,850
Support services:	
Student support	1,521
Operation and maintenance of plant services	1,280
Transportation	17,712
	69,363
Unallocated depreciation	30,058
Total depreciation expense – governmental activities	99,421
Business type activities:	
Food services	2,203

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	$	$	$	$	$
Governmental activities:					
Compensated absences	32,451	-	29,565	2,886	1,443
Termination benefits	-	182,640	-	182,640	18,264
Net OPEB liability	-	18,085	-	18,085	-
Total	32,451	200,725	29,565	203,611	19,707

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.

At June 30, 2010, the District has an obligation to one participant. Actual early retirement expenditures for the year ended June 30, 2010 totaled $0.

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 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were $110,785, $103,042, and $93,075 respectively, equal to the required contributions for each year.

7. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 21 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	$
Annual required contribution	17,793
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	17,793
Contributions made	292
Increase in net OPEB obligation	18,085
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	18,085

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed $292 to the medical plan. Plan members eligible for benefits contributed $0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	$	%	$
June 30, 2010	18,085	-	18,085

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was $129,474, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $129,474. The covered payroll (annual payroll of active employees covered by the plan) was approximately $750,000, and the ratio of the UAAL to covered payroll was 17.3%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 group annuity mortality table projected to 2000. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are $609 per month for retirees less than age 65. The UAAL is being amortized over 30 years.

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 $103,600 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

Program	Amount
	$
Teacher salary supplement	1,682
Teacher mentoring	59
	1,741

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, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance - Positive (Negative)
	$	$	$	$	$	$
Revenues:						
Local sources	1,821,296	54,659	1,875,955	1,891,759	1,891,759	(15,804)
Intermediate sources	-	-	-	4,000	4,000	(4,000)
State sources	1,050,614	1,376	1,051,990	1,342,536	1,342,536	(290,546)
Federal sources	290,168	69,640	359,808	154,085	154,085	205,723
Total revenues	3,162,078	125,675	3,287,753	3,392,380	3,392,380	(104,627)
Instruction	2,209,336	-	2,209,336	2,469,000	2,469,000	259,664
Support services	683,766	-	683,766	854,481	854,481	170,715
Non-instructional programs	-	117,607	117,607	125,000	125,000	7,393
Other expenditures	337,672	-	337,672	260,760	260,760	(76,912)
Total expenditures/expenses	3,230,774	117,607	3,348,381	3,709,241	3,709,241	360,860
Excess (deficiency) of revenues over (under) expenditures/expenses	(68,696)	8,068	(60,628)	(316,861)	(316,861)	256,233
Other financing sources (uses) net	659	-	659	-	-	659
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(68,037)	8,068	(59,969)	(316,861)	(316,861)	256,892
Balance beginning of year	1,008,993	14,530	1,023,523	1,293,732	1,293,732	(270,209)
Balance end of year	940,956	22,598	963,554	976,871	976,871	(13,317)

See accompanying independent auditor's report

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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, 2010, expenditures in the other expenditure funtional area exceeded the amount budgeted.

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	$	$	$	%	$	%
July 1, 2009	-	129,474	129,474	0.0%	750,000	17.3%

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

OTHER SUPPLEMENTARY INFORMATION

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

	Special Revenue Funds		
Assets	Management Levy	Student Activity	Total
	$	$	$
Cash and pooled investments	91,073	43,913	134,986
Receivables:			
Property tax:			
Delinquent	835	-	835
Succeeding year	95,000	-	95,000
Accounts	-	194	194
Total assets	186,908	44,107	231,015
Liabilities:			
Accounts payable	1,986	-	1,986
Salaries and benefits payable	1,639	-	1,639
Interfund payables	24,152	-	24,152
Deferred revenue:			
Succeeding year property tax	95,000	-	95,000
Total liabilities	122,777	-	122,777
Fund balances:			
Unreserved reported in:			
Special revenue funds	64,131	44,107	108,238
Total liabilities and fund balances	186,908	44,107	231,015

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue Funds		
	Management Levy	Student Activity	Total
	$	$	$
Revenues:			
Local sources:			
Local tax	59,940	-	59,940
Other	6,630	54,746	61,376
State sources	43	-	43
Total revenues	66,613	54,746	121,359
Expenditures:			
Current:			
Instruction:			
Regular	4,902	-	4,902
Other	-	57,848	57,848
Support services:			
Administration services	17,996	-	17,996
Operation and maintenance of plant	38,195	-	38,195
Transportation	5,718	-	5,718
Total expenditures	66,811	57,848	124,659
Net change in fund balance	(198)	(3,102)	(3,300)
Fund balances beginning of year	64,329	47,209	111,538
Fund balances end of year	64,131	44,107	108,238

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	$	$	$	$
Drama	249	-	-	249
Speech	77	-	56	21
Basketball	13,268	5,331	4,374	14,225
Track	121	2,932	2,252	801
Golf	1,040	33	899	174
Football	892	4,048	4,942	(2)
Baseball	248	745	993	-
Wrestling	14	-	-	14
Volleyball	3,452	1,903	1,780	3,575
Softball	547	2,830	3,377	-
BB club	1,335	3,200	2,142	2,393
R/A club	666	1,590	2,254	2
National Honor Society	383	7,218	7,284	317
Music	541	450	187	804
Cheerleaders	28	-	-	28
Activity tickets	3,618	202	-	3,820
Book fair	476	835	834	477
Yearbook	6,730	5,970	4,040	8,660
Interest	3,281	-	4,081	(800)
Student council	4,090	657	552	4,195
Mentor club	159	-	-	159
Art club	305	319	-	624
Marketing club	252	1,132	1,134	250
Earth day fund raiser	726	958	935	749
Class of 2006	1,981	-	1,981	-
Class of 2009	427	-	427	-
Class of 2010	2,303	-	2,303	-
Class of 2011	-	14,393	11,021	3,372
Total	47,209	54,746	57,848	44,107

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	$	$	$	$	$	$	$
Revenues:							
Local sources:							
Local tax	1,408,293	1,323,754	1,212,129	1,205,671	954,979	1,032,929	929,665
Tuition	209,818	208,051	267,383	272,804	170,261	158,525	126,847
Other	203,185	153,499	148,381	137,809	212,767	207,778	195,996
Intermediate sources	-	-	3,935	-	1,510	-	-
State sources	1,050,614	1,228,097	1,224,108	1,005,190	987,297	1,012,684	981,925
Federal sources	290,168	94,832	99,212	103,754	111,990	107,936	111,729
Total revenues	3,162,078	3,008,233	2,955,148	2,725,228	2,438,804	2,519,852	2,346,162
Expenditures:							
Instruction:							
Regular	1,392,253	1,381,956	1,299,942	1,254,302	1,168,249	1,086,146	1,015,731
Special	374,588	401,794	362,575	361,057	253,347	274,288	350,817
Other	442,495	403,115	382,480	269,209	259,477	249,753	137,768
Support services:							
Student	7,063	10,890	6,950	59,213	54,978	54,654	53,979
Instructional staff	25,883	28,572	22,504	25,789	24,005	18,141	31,770
Administration	309,033	280,057	291,181	306,552	271,653	311,179	308,610
Operation and maintenance	225,718	206,562	212,965	179,692	168,820	171,899	140,566
Transportation	116,069	203,097	109,036	94,943	91,962	103,514	108,871
Other expenditures:							
Facilities acquisition	234,072	110,349	48,652	119,396	65,160	105,492	89,373
AEA flowthrough	103,600	91,949	87,320	81,279	78,274	85,406	79,743
Total expenditures	3,230,774	3,118,341	2,823,605	2,751,432	2,435,925	2,460,472	2,317,228

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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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 9, 2011. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 10-I-A, 10-I-B and 10-I-C to be 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, 2010 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 and Responses. 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, and 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

March 9, 2011

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2010

Part I: Findings Related to the Financial Statements:

Internal control deficiencies:

10-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.

10-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.

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

10-I-C 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.

Part II: Other Findings Related to Statutory Reporting:

10-II-A Certified Budget: Expenditures for the year ended June 30, 2010 exceeded the budget in the other expenditures function.

Recommendation: The District should amend its budget before exceeding the original budget.

District Response: We will amend our budget in the future.

Conclusion: Response accepted.

10-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.

10-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.

10-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.

10-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.

10-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

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

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

10-II-I 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.

10-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

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

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

According to administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, and then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

District Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts.

Conclusion: Response accepted

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

	$	$
Beginning balance		383,904
Statewide sales, services and use tax		125,627
Other revenues		26,722
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	109,088	
Equipment	5,868	114,956
Ending balance		421,297

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per $1,000 of Taxable Valuation	Property Tax Dollars
	$	$
Physical plant and equipment levy	.63	125,627

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

10-II-M Interfund loans: On October 22, 2009 the Iowa Department of Education issued a revised declaratory order covering interfund loans. The order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loan and the loan must be repaid before the October 1 of the following year.

Recommendation: The District should follow the October 22, 2009 declaratory order with respect to interfund loans.

District Response: We will retire interfund loans with interest on a timely basis in the future.

Conclusion: Response accepted.