

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITORS' REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2014**

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**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

**(Before September, 2013 Election)**

Jim Boyer	President	2013
Jen VonBank	Vice President	2013
Kevin Thackery	Board Member	2013
George Walker	Board Member	2015
Wayne Mathine	Board Member	2015

**(After September, 2013 Election)**

Jen VonBank	President	2015
George Walker	Vice President	2015
Karen Thackery	Board Member	2015
Travis Nielsen	Board Member	2015
Wayne Mathine	Board Member	2015

**SCHOOL OFFICIALS**

Matt Berninghaus	Superintendent
Erin Rogers	District Secretary/Treasurer



## Independent Auditors' Report

To the Board of Education of the  
Armstrong-Ringsted Community School District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activity, each major fund and the aggregate remaining fund information of Armstrong-Ringsted Community School District, Armstrong, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Armstrong-Ringsted Community School District, Armstrong, Iowa, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 11 of the financial statements, on July 1, 2014, the District reorganized with Sentral CSD to create the North Union CSD. In fiscal year 2015, North Union CSD will adopt GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the 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 pages 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Armstrong-Ringsted Community School District's basic financial statements. We previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2013 (which are not presented herein) and expressed an unmodified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated February 16, 2015 on our consideration of the Armstrong-Ringsted Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Armstrong-Ringsted Community School District's internal control over financial reporting and compliance.

*Williams & Company, P.C.*  
Certified Public Accountants

Spencer, Iowa  
February 16, 2015

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**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**2014 FINANCIAL HIGHLIGHTS**

General fund revenues decreased from \$4,450,882 in fiscal 2013 to \$3,990,960 in fiscal 2014, while General fund expenditures increased from \$4,279,762 in fiscal 2013 to \$4,467,237 in fiscal 2014. The District's General fund balance decreased from \$1,773,039 at the end of fiscal 2013 to \$1,337,045 at the end of fiscal 2014, a 24% decrease.

The decrease in General fund revenues resulted from spending down excess cash balances. The general fund levy was reduced, thereby decreasing both property taxes and income surtaxes. State aid also decreased significantly. General fund expenditures increased due to instructional purchased services. The General fund balance decreased as a result of lower cash levels, not authority.

**USING THIS ANNUAL REPORT**

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Armstrong-Ringsted 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 financials statements report Armstrong-Ringsted Community School District's operations in more detail than the government-wide statements provide information about the most significant funds. The remaining statements provide financial information about activities for which Armstrong-Ringsted Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to the 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

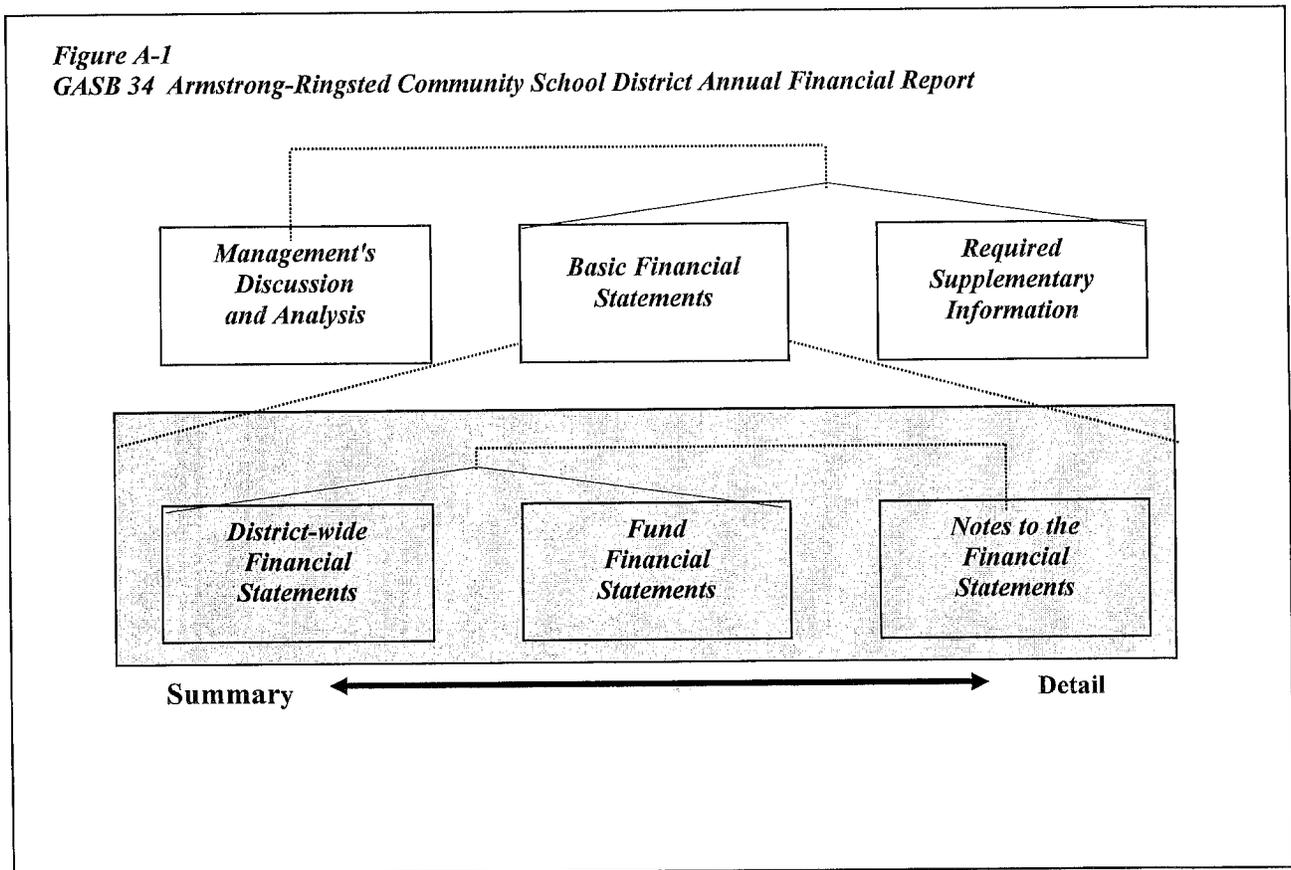


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<i>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</i>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary 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
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
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
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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets 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 position and how they have changed. Net Position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### *Fund Financial Statement*

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

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

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. 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 position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

- 3) *Fiduciary funds*: Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's fiduciary fund includes an agency fund. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The required financial statements for fiduciary funds include a statement of fiduciary net position.

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**Figure A-3**

**Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activity		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Current and Other Assets	\$ 5,156,326	\$ 7,115,368	\$ (4,398)	\$ (4,961)	\$ 5,151,928	\$ 7,110,407	-27.5%
Capital Assets	3,873,161	3,933,933	-	-	3,873,161	3,933,933	-1.5%
<b>Total Assets</b>	<b>9,029,487</b>	<b>11,049,301</b>	<b>(4,398)</b>	<b>(4,961)</b>	<b>9,025,089</b>	<b>11,044,340</b>	<b>-18.3%</b>
Current Liabilities	1,426,434	3,564,508	3,804	1,719	1,430,238	3,566,227	-59.9%
Non-Current Liabilities	1,940,545	1,945,609	-	-	1,940,545	1,945,609	-0.3%
<b>Total Liabilities</b>	<b>3,366,979</b>	<b>5,510,117</b>	<b>3,804</b>	<b>1,719</b>	<b>3,370,783</b>	<b>5,511,836</b>	<b>-38.8%</b>
Net Position:							
Net Investment in							
Capital Assets	1,811,811	1,929,925	-	-	1,811,811	1,929,925	-6.1%
Restricted	2,486,515	1,909,923	-	-	2,486,515	1,909,923	30.2%
Unrestricted	1,364,182	1,699,336	(8,202)	(6,680)	1,355,980	1,692,656	-19.9%
<b>Total Net Position</b>	<b>\$ 5,662,508</b>	<b>\$ 5,539,184</b>	<b>\$ (8,202)</b>	<b>\$ (6,680)</b>	<b>\$ 5,654,306</b>	<b>\$ 5,532,504</b>	<b>2.2%</b>

The District's combined net position increased 2.2% or approximately \$122,000, from the prior year. Part of the District's net position is the net investment in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment). The debt related to the investment in capital assets is liquidated with resources other than capital assets.

The Restricted net position is the largest portion of the District's net position and represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$579,000 or 30.2%, over the prior year. The increase was primarily a result of the District's surplus debt service levy of \$330,000, which will be used to pay off the general obligation bonds early.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints, established debt covenants, enabling legislation or other legal requirements – decreased approximately \$339,000, or 19.9%. This decrease of unrestricted net position can be attributed to the cash balance on hand. General fund levies were reduced, allowing the district to increase other levies.

Figure A-4 shows the changes in net position.

**Figure A-4**  
**Changes in Net Position from Operations**

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2014	2013	2014	2013	2014	2013	
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,320,950	\$ 1,392,845	\$ 73,526	\$ 69,725	\$ 1,394,476	\$ 1,462,570	-4.66%
Operating Grants and Contributions	558,011	582,326	43,637	48,429	601,648	630,755	-4.61%
General Revenues:							
Property Tax	2,054,631	2,188,552	-	-	2,054,631	2,188,552	-6.12%
Income Surtax	189,658	69,032	-	-	189,658	69,032	
SSSU Tax	261,678	252,187	-	-	261,678	252,187	3.76%
State Grants	927,589	1,040,276	-	-	927,589	1,040,276	-10.83%
Interest Income	18,207	19,690	15	-	18,222	19,690	-7.46%
Miscellaneous	11,489	23,576	-	-	11,489	23,576	-51.27%
<b>Total Revenues</b>	<b>5,342,213</b>	<b>5,568,484</b>	<b>117,178</b>	<b>118,154</b>	<b>5,459,391</b>	<b>5,686,638</b>	<b>-4.00%</b>
Expenses:							
Instruction	3,558,153	3,371,030	-	-	3,558,153	3,371,030	5.55%
Support Services	1,203,911	1,331,783	-	-	1,203,911	1,331,783	-9.60%
Non-Instructional	-	-	118,700	139,571	118,700	139,571	-14.95%
Other Expenses	456,825	504,523	-	-	456,825	504,523	-9.45%
<b>Total Expenses</b>	<b>5,218,889</b>	<b>5,207,336</b>	<b>118,700</b>	<b>139,571</b>	<b>5,337,589</b>	<b>5,346,907</b>	<b>-0.17%</b>
<b>Change in Net Position</b>	<b>\$ 123,324</b>	<b>\$ 361,148</b>	<b>\$ (1,522)</b>	<b>\$ (21,417)</b>	<b>\$ 121,802</b>	<b>\$ 339,731</b>	<b>-64.15%</b>

Property tax and unrestricted state grants account for 54% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

The District's total revenues were approximately \$5.46 million, of which \$5.34 million was for governmental activities and \$117 thousand was for business type activities.

As show in Figure A-4, the district as a whole experienced a 4.0% decrease in revenues and a 0.17% decrease in expenses. The decrease in Governmental Activities revenues was largely affected by lower property tax monies received. Instructional expenditures increased, whereas expenses for support services and other expenses decreased.

### Governmental Activities

Revenues for governmental activities for the year ended June 30, 2014 were \$5,342,213 and expenses were \$5,218,889.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

**Figure A-5 - Net Cost of Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2014	2013	% Change	2014	2013	% Change
Instruction	\$ 3,558,153	\$ 3,371,030	5.55%	\$ 1,808,531	\$ 1,520,945	18.91%
Support Services	1,203,911	1,331,783	-9.60%	1,203,911	1,331,783	-9.60%
Other Expenses	456,825	504,523	-9.45%	327,486	379,437	-13.69%
<b>Total</b>	<b>\$ 5,218,889</b>	<b>\$ 5,207,336</b>	<b>0.22%</b>	<b>\$ 3,339,928</b>	<b>\$ 3,232,165</b>	<b>3.33%</b>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,320,950 in 2014.
- Federal and state governments subsidized certain programs and grants and contributions totaling \$558,011 in 2014.
- The net cost of governmental activities was financed with \$2,505,967 in property taxes and other taxes and \$927,589 in unrestricted state grants.

**Business-Type Activities**

Revenues of the District's business-type activities (school food and nutrition services) totaled \$117,178 representing a 0.01% decrease over the prior year, while expenses totaled \$118,700 a 14% decrease over the prior year. (Refer to Figure A-4.) The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

The decrease in expenditures was primarily due to a reduction in salaries.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, Armstrong-Ringsted 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 \$3,734,280, a three percent increase over last year's ending fund balances of \$3,606,223. The reason for the overall increase was due to the increase in debt service fund balance.

**Governmental Fund Highlights**

The District attempted to maintain its General Fund balance by sharing staff and cutting expenses from portions of the budget that were not already obligated, such as supplies, maintenance, and utility items.

The General Fund balance decreased from \$1,773,039 to \$1,337,045 due, in part, to the use of available funds and the inability to tax for all authority.

The Statewide Sales Service and Use Tax Fund balance increased from \$602,180 to \$850,401. The district tabled the high school vestibule project in fiscal year 2014.

The Capital Projects Fund, Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$708,272 at the end of fiscal year 2013 to \$716,791 at the end of fiscal year 2014. The district aligned its spending with the revenues it received during the fiscal year.

### Proprietary Fund Highlights

The School Nutrition Fund balance decreased from \$(6,680) at the end of fiscal year 2013 to \$(8,202) at the end of fiscal year 2014. The district is continuing to closely monitor this fund and is looking for ways to increase revenues and cut costs.

### Budgetary Highlights

The Armstrong-Ringsted Community School District did not amend its annual budget during the fiscal year ending June 30, 2014.

The District's revenues were \$730,379 more than budgeted, primarily due to the increase of miscellaneous revenues associated with the whole grade sharing agreement.

Total expenditures were less than budgeted expenses primarily due to maintaining control over expenditures.

## CAPITAL AND DEBT ADMINISTRATION

At June 30, 2014, the District had invested \$3.9 million, net of accumulated depreciation, in a broad range of assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. This represents a net decrease of 1.54% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Total depreciation expense for the year was \$308,770.

The original cost of the District's capital assets was \$7,525,914. Governmental funds account for \$7,515,354 with the remainder of \$10,560 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity was the purchase of two busses and the disposal of three busses.

Figure A-6 - Capital Assets

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2014	2013	2014	2013	2014	2013	
Land	\$ 20,000	\$ 20,000	\$ -	\$ -	\$ 20,000	\$ 20,000	0.00%
Constuction in Progress	24,492	30,923	-	-	24,492	30,923	0.00%
Buildings & Improvements	3,402,510	3,470,354	-	-	3,402,510	3,470,354	-1.95%
Equipment, Furniture & Vehicles	426,159	412,656	-	-	426,159	412,656	3.27%
<b>Total</b>	<b>\$ 3,873,161</b>	<b>\$ 3,933,933</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,873,161</b>	<b>\$ 3,933,933</b>	<b>-1.54%</b>

## Long-Term Debt

At year-end, the District had \$2,113,870 of long-term debt outstanding. This represents an increase of approximately 3.19% from last year. See Figure A-7 below. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-7 - Long-Term Debt

	Total District		Total % Change
	2014	2013	
Early Retirement	\$ 269	\$ 7,296	-96.31%
Leases Payable	216,350	69,008	213.51%
Net OPEB liability	52,251	37,210	40.42%
QZAB bonds	1,000,000	1,000,000	0.00%
General Obligation Bonds	845,000	935,000	-9.63%
<b>Total</b>	<b>\$ 2,113,870</b>	<b>\$ 2,048,514</b>	<b>3.19%</b>

## FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The Armstrong-Ringsted Community School District no longer exists. The District, along with the Sentral Community School District, passed a consolidation vote, forming the North Union Community School District, effective July 1, 2014.
- A new whole grade sharing agreement between the North Union and North Kossuth school districts began July 1, 2014 and includes sharing grades 6-12.
- The new district will continue to share operational positions with neighboring districts to best utilize resources, increase miscellaneous revenues, and maximize supplementary weighting.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional information, contact Erin Rogers, Business Manager, North Union Community School District, PO Box 75, Armstrong, IA 50514-0075.

**BASIC FINANCIAL STATEMENTS**

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Primary Government Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Pooled Investments:			
Unrestricted	\$ 3,552,805	\$ 10,990	\$ 3,563,795
Restricted	333,280	-	333,280
Receivables:			
Property Tax	21,045	-	21,045
Income Surtax	174,694	-	174,694
Accounts Receivable	10,698	49	10,747
Due from Other Governmental Agencies	1,037,354	1,543	1,038,897
Internal Balances	26,450	(26,450)	-
Inventories	-	9,470	9,470
Land	20,000	-	20,000
Construction in Progress	24,492	-	24,492
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	3,828,669	-	3,828,669
Total Assets	<u>9,029,487</u>	<u>(4,398)</u>	<u>9,025,089</u>
<b>Liabilities</b>			
Accounts Payable	1,096,135	-	1,096,135
Accrued Wages and Payroll Liabilities	5,334	-	5,334
Accrued Interest Payable	5,757	-	5,757
Unearned Revenue	61,348	3,804	65,152
Long-Term Liabilities:			
Debt Due Within One Year:			
Bonds Payable	95,000	-	95,000
Lease Payable	78,325	-	78,325
Early Retirement Payable	84,535	-	84,535
Debt Due in More Than One Year:			
Bonds Payable	750,000	-	750,000
Lease Payable	138,025	-	138,025
Early Retirement Payable	269	-	269
QZAB Loan Payable	1,000,000	-	1,000,000
Net OPEB Liability	52,251	-	52,251
Total Liabilities	<u>3,366,979</u>	<u>3,804</u>	<u>3,370,783</u>
<b>Net Position</b>			
Net Investment in Capital Assets	1,811,811	-	1,811,811
Restricted for:			
Physical Plant and Equipment Levy	716,791	-	716,791
Categorical Funding	95,306	-	95,306
School Infrastructure	850,401	-	850,401
Student Activities	77,568	-	77,568
Debt Service	329,830	-	329,830
Management Levy	416,619	-	416,619
Unrestricted	1,364,182	(8,202)	1,355,980
Total Net Position	<u>\$ 5,662,508</u>	<u>\$ (8,202)</u>	<u>\$ 5,654,306</u>

See Accompanying Notes to Financial Statements

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
Instruction:				
Regular Instruction	\$ 2,142,400	\$ 840,139	\$ 320,327	\$ -
Special Instruction	824,140	302,636	-	-
Other Instruction	591,613	178,175	108,345	-
Support Services:				
Student Services	48,028	-	-	-
Instructional Staff Services	121,144	-	-	-
Administration Services	432,792	-	-	-
Operations and Maintenance	339,306	-	-	-
Transportation Services	262,641	-	-	-
Other Expenditures:				
Loss on Disposal of Furniture & Equipment	29,081	-	-	-
Long-term Debt Interest and Fiscal Charges	37,825	-	-	-
AEA Flow-Through	129,339	-	129,339	-
Unallocated Depreciation*	260,580	-	-	-
<b>Total Governmental Activities</b>	<b>5,218,889</b>	<b>1,320,950</b>	<b>558,011</b>	<b>-</b>
<b>Business-Type Activities:</b>				
School Nutrition Fund	118,700	73,526	43,637	-
<b>Total School District</b>	<b>\$ 5,337,589</b>	<b>\$ 1,394,476</b>	<b>\$ 601,648</b>	<b>\$ -</b>

**General Revenues:**

Property Tax Levied For:  
 General Purposes  
 Management Levy  
 Physical Plant and Equipment Levy  
 Debt Service  
 Income Surtax  
 General Purposes  
 Capital Outlay  
 Statewide Sales and Services Tax  
 Unrestricted State Grants  
 Interest on Investments  
 Miscellaneous  
 Total General Revenues

**Change in Net Position**

**Net Position - Beginning**

**Net Position - Ending**

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

Net (Expense) Revenue  
and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (981,934)		\$ (981,934)
(521,504)		(521,504)
(305,093)		(305,093)
(48,028)		(48,028)
(121,144)		(121,144)
(432,792)		(432,792)
(339,306)		(339,306)
(262,641)		(262,641)
(29,081)		(29,081)
(37,825)		(37,825)
-		-
(260,580)		(260,580)
<u>(3,339,928)</u>		<u>(3,339,928)</u>
-	\$ (1,537)	(1,537)
<u>(3,339,928)</u>	<u>(1,537)</u>	<u>(3,341,465)</u>
1,284,024	-	1,284,024
100,100	-	100,100
216,340	-	216,340
454,167	-	454,167
102,311	-	102,311
87,347	-	87,347
261,678	-	261,678
927,589	-	927,589
18,207	15	18,222
11,489	-	11,489
<u>3,463,252</u>	<u>15</u>	<u>3,463,267</u>
123,324	(1,522)	121,802
<u>5,539,184</u>	<u>(6,680)</u>	<u>5,532,504</u>
<u>\$ 5,662,508</u>	<u>\$ (8,202)</u>	<u>\$ 5,654,306</u>

See Accompanying Notes to Financial Statements

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	General	Statewide Sales Service and Use Tax	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Pooled Investments					
Unrestricted	\$ 1,504,103	\$ 428,142	\$ 704,347	\$ 916,213	\$ 3,552,805
Restricted	-	333,280	-	-	333,280
Receivables:					
Property Taxes	13,157	-	2,214	5,674	21,045
Income Surtax	87,347	-	87,347	-	174,694
Other Accounts Receivable	7,711	-	87	2,900	10,698
Due from Other Governmental Agencies	927,090	99,836	10,428	-	1,037,354
Due from Other Funds	27,508	-	14,349	-	41,857
<b>Total Assets</b>	<u>2,566,916</u>	<u>861,258</u>	<u>818,772</u>	<u>924,787</u>	<u>5,171,733</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	1,071,921	9,799	4,206	10,209	1,096,135
Accrued Wages and Payroll Liabilities	5,334	-	-	-	5,334
Early Retirement Payable	-	-	-	84,535	84,535
Due to Other Funds	14,349	1,058	-	-	15,407
Unearned Revenue	50,920	-	10,428	-	61,348
<b>Total Liabilities</b>	<u>1,142,524</u>	<u>10,857</u>	<u>14,634</u>	<u>94,744</u>	<u>1,262,759</u>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenues:					
Income Surtax	87,347	-	87,347	-	174,694
<b>Total Deferred Inflows of Resources</b>	<u>87,347</u>	<u>-</u>	<u>87,347</u>	<u>-</u>	<u>174,694</u>
<b>Fund Balances</b>					
Restricted for:					
Categorical Funding	95,306	-	-	-	95,306
School Infrastructure	-	850,401	-	-	850,401
Student Activities	-	-	-	77,568	77,568
Management Levy	-	-	-	416,888	416,888
Debt Service	-	-	-	335,587	335,587
Physical Plant and Equipment	-	-	716,791	-	716,791
Unassigned	1,241,739	-	-	-	1,241,739
<b>Total Fund Balances</b>	<u>1,337,045</u>	<u>850,401</u>	<u>716,791</u>	<u>830,043</u>	<u>3,734,280</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,566,916</u>	<u>\$ 861,258</u>	<u>\$ 818,772</u>	<u>\$ 924,787</u>	<u>\$ 5,171,733</u>

See Accompanying Notes to Financial Statements

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 16)	\$ 3,734,280
Income surtax receivable at June 30, 2014 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Net Position.	174,694
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,873,161
Accrued interest payable on long term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(5,757)
Long-term liabilities, including bonds and notes payable, capital leases, long-term portion of early retirement and other postemployment benefits payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(2,113,870)</u>
Total Net Position - Governmental Activities (page 13)	<u><u>\$ 5,662,508</u></u>

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General	Statewide Sales Service and Use Tax	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local Sources:					
Local Tax	\$ 1,349,726	\$ 261,678	\$ 216,340	\$ 554,267	\$ 2,382,011
Tuition	955,876	-	-	-	955,876
Other	200,083	10,309	2,180	182,199	394,771
State Sources	1,313,270	-	91	233	1,313,594
Federal Sources	172,005	-	-	-	172,005
<b>Total Revenues</b>	<u>3,990,960</u>	<u>271,987</u>	<u>218,611</u>	<u>736,699</u>	<u>5,218,257</u>
<b>Expenditures</b>					
Instruction:					
Regular Instruction	2,049,851	-	-	84,535	2,134,386
Special Instruction	824,140	-	-	-	824,140
Other Instruction	439,497	-	-	152,116	591,613
Support Services:					
Student Services	48,028	-	-	-	48,028
Instructional Staff Services	121,144	-	-	-	121,144
Administration Services	382,819	-	-	49,973	432,792
Operations and Maintenance	253,092	-	76,066	11,989	341,147
Transportation Services	219,327	-	188,769	4,283	412,379
Other Expenditures:					
Facilities Acquisition	-	23,766	90,543	-	114,309
Long-Term Debt:					
Principal	-	-	-	128,908	128,908
Interest and Fiscal Charges	-	-	-	35,264	35,264
AEA Flow-Through	129,339	-	-	-	129,339
<b>Total Expenditures</b>	<u>4,467,237</u>	<u>23,766</u>	<u>355,378</u>	<u>467,068</u>	<u>5,313,449</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(476,277)</u>	<u>248,221</u>	<u>(136,767)</u>	<u>269,631</u>	<u>(95,192)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from Sale of Capital Assets	37,000	-	-	-	37,000
Long-Term Debt Proceeds	-	-	186,250	-	186,250
Transfers In	3,283	-	-	40,964	44,247
Transfers Out	-	-	(40,964)	(3,283)	(44,247)
<b>Total Other Financing Sources</b>	<u>40,283</u>	<u>-</u>	<u>145,286</u>	<u>37,681</u>	<u>223,250</u>
<b>Net Change in Fund Balance</b>	(435,994)	248,221	8,519	307,312	128,058
<b>Fund Balances at Beginning of Year</b>	<u>1,773,039</u>	<u>602,180</u>	<u>708,272</u>	<u>522,731</u>	<u>3,606,222</u>
<b>Fund Balances at End of Year</b>	<u>\$ 1,337,045</u>	<u>\$ 850,401</u>	<u>\$ 716,791</u>	<u>\$ 830,043</u>	<u>\$ 3,734,280</u>

See Accompanying Notes to Financial Statements

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

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

Net Change in Fund Balances - Total Governmental funds (page 18)	\$	128,058
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. This represents the change in income surtax receivable from the prior year.		
		123,956
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	322,266	
Depreciation expense	<u>(308,770)</u>	13,496
Accrued interest expense that does not require current financial resources.		
		(2,561)
Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on sale or disposal of fixed assets. This is the effect on the change in net position on the statement of activities.		
		(74,269)
Lease proceeds provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Position.		
		(186,250)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The Statement of Activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was:		
		128,908
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:		
Early Retirement	7,027	
Other Postemployment Benefits	<u>(15,041)</u>	<u>(8,014)</u>
Change in Net Position of Governmental Activities (page 15)	\$	<u>123,324</u>

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2014**

	School Nutrition Fund
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 10,990
Due from Other Governmental Agencies	1,543
Accounts Receivable	49
Inventories	9,470
<b>Total Assets</b>	22,052
 <b>Liabilities</b>	
Due to Other Funds	26,450
Unearned Revenue	3,804
<b>Total Liabilities</b>	30,254
 <b>Net Position</b>	
Unrestricted (Deficit)	(8,202)
<b>Total Net Position</b>	\$ (8,202)

See Accompanying Notes to Financial Statements

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	School Nutrition Fund
<b>Operating Revenues:</b>	
Charges for Services	\$ 72,852
Miscellaneous	674
Total Operating Revenue	73,526
<b>Operating Expenses:</b>	
Non-Instructional Programs:	
Food Service Operations:	
Salaries	43,170
Benefits	13,962
Food	59,203
Supplies	1,137
Other Expense	1,228
Total Operating Expenses	118,700
<b>Operating (Loss)</b>	(45,174)
<b>Non-Operating Revenue:</b>	
Interest Income	15
State Lunch Reimbursements	968
National School Lunch Program	38,125
Federal Food Commodities Received	4,544
Total Non-Operating Revenue	43,652
<b>Change in Net Position</b>	(1,522)
<b>Net Position - Beginning (Deficit)</b>	(6,680)
<b>Net Position - Ending (Deficit)</b>	\$ (8,202)

See Accompanying Notes to Financial Statements

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	School Nutrition Fund
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 74,019
Cash Payments for Salaries and Benefits	(57,132)
Cash Payments for Goods and Services	(55,887)
Net Cash (Used) by Operating Activities	(39,000)
<b>Cash Flows from Non-Capital Financing Activities</b>	
Federal Appropriations Received	38,125
State Appropriations Received	967
Cash Received from General Fund	6,451
Net Cash Provided by Non-Capital Financing Activities	45,543
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	15
<b>Net Increase in Cash and Cash Equivalents</b>	6,558
<b>Cash and Cash Equivalents at Beginning of Year</b>	4,432
<b>Cash and Cash Equivalents at End of Year</b>	\$ 10,990
 <b>Reconciliation of Operating (Loss) to Net Cash (Used) in Operating Activities:</b>	
Operating (Loss)	\$ (45,174)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) in Operating Activities:	
Commodities Used	4,544
Change in Assets and Liabilities:	
(Increase) in Accounts Receivable	(49)
Decrease in Inventory	1,137
Decrease in Deferred Revenue	542
<b>Net Cash (Used) by Operating Activities</b>	<b>\$ (39,000)</b>
 <b>Supplemental Schedule of Noncash Noncapital Financial Activities:</b>	
Federal Food Commodities Received	\$ 4,544

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUND- MUSIC BOOSTERS AND POST-PROM  
JUNE 30, 2014**

<b>Assets</b>	
Cash and Pooled Investments	\$ 14,866
<b>Total Assets</b>	<u>14,866</u>
<b>Liabilities</b>	
Other Payables	<u>14,866</u>
<b>Total Liabilities</b>	<u>14,866</u>
<b>Net Position</b>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Armstrong-Ringsted Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Armstrong and Ringsted, Iowa, and agricultural area in Palo Alto, Emmet, and Kossuth Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. The District is currently engaged in a three way sharing agreement with the North Kossuth Community School District and Sentral Community School District for grades pre-kindergarten through eighth.

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, Armstrong-Ringsted Community School District has included all funds, organizations, account groups, 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 Armstrong-Ringsted Community School District has no component units which meet the Governmental Accounting Standards Board criteria. However, the District has chosen to include as Agency Funds, all of the organizations included in Schedule 3.

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

**B. Basis of Presentation**

Government-wide Financial Statements – The Statements of Net Position and the Statement of Activities report information on all of the non-fiduciary 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.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net positions are reported in three categories:

- **Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.
- **Restricted Net Position** result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** consist of net position that do not meet the definition of the two preceding categories. Unrestricted Net Position often have constraints on resources that are imposed which can be removed or modified.

The District first uses restricted resources to finance qualifying activities.

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 particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. The District first uses restricted resources to finance qualifying activities.

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.
- The **Capital Projects Fund, Statewide Sales, Service and Use Tax** is used to account for property tax levy per thousand dollars of assessed valuation in the District for the acquisition and construction of capital facilities and other capital assets.
- The **Capital Projects Fund, Physical Plant and Equipment Levy** is used to account for the purchase of equipment and the repairing, remodeling, and construction of buildings and land improvements.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary 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 judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

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

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

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

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash and Pooled Investments – The cash balances of the General and Management funds are pooled and invested, while all other funds have separate accounts. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

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

Property Tax Receivable – Property tax in governmental funds are 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 that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years.

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

Due from Other Governments – Due from other governments represents 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 contributed value for 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 Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Buildings	50 years
Improvements other than Buildings	20 years
Furniture and Equipment	5 – 15 years

Unearned Revenue – When assets are recognized in connection with a transaction before the earning process is complete, those assets must be offset by a corresponding liability for unearned revenue.

Deferred Inflow of Resources – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflow of resources consists of income surtax receivables not collected within sixty days after year-end.

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

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

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

Unassigned – All amounts not included in other spendable classifications.

**E. Budgeting and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in the Instruction function exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**Note 2 – CASH AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2014, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 2 – CASH AND POOLED INVESTMENTS (Continued)**

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.

**Custodial Credit Risk** – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less. The District's investments consist of certificates of deposit that have original maturities of less than 397 days.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,068 pursuant to Rule 2a-7 under the Investment Company act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

At June 30, 2014, the District had \$330,280 of restricted cash for the repayment of the QZAB note.

**Note 3 – CAPITAL ASSETS**

Capital Assets activity for the year ended June 30, 2014, is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Construction in Progress	30,923	24,492	30,923	24,492
Total Assets Not Being Depreciated	50,923	24,492	30,923	44,492
Capital Assets Being Depreciated				
Buildings and Improvements	5,883,053	85,771	-	5,968,824
Furniture and Equipment	1,456,113	242,927	197,003	1,502,037
Total Capital Assets Being Depreciation	7,339,166	328,698	197,003	7,470,861
Less: Accumulated Depreciation for:				
Buildings and Improvements	2,412,699	153,615	-	2,566,314
Furniture and Equipment	1,043,457	155,155	122,734	1,075,878
Total Accumulated Depreciation	3,456,156	308,770	122,734	3,642,192
Total Capital Assets Being Depreciated, Net	3,883,010	19,928	74,269	3,828,669
Governmental Activities Capital Assets, Net	3,933,933	44,420	105,192	3,873,161
<b>Business-type Activity:</b>				
Furniture and Equipment	10,560	-	-	10,560
Less Accumulated Depreciation	10,560	-	-	10,560
Business-Type Activity Capital Assets, Net	\$ -	\$ -	\$ -	\$ -

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

Note 3 – **CAPITAL ASSETS (Continued)**

Depreciation expense was charged to the following functions:

<b>Governmental Activities:</b>	
Transportation Services	\$ 39,031
Operation and Maintenance	9,159
Unallocated	260,580
Total depreciation expense - governmental activities	<u>\$ 308,770</u>

**Reconciliation of Net Investment in Capital Assets:**

	<u><b>Governmental Activities</b></u>
Land	\$ 20,000
Construction in Progress	24,492
Capital Assets (net of accumulated depreciation)	3,828,669
Less:	
Bonds Payable	(845,000)
Leases Payable	(216,350)
QZAB Payable	<u>(1,000,000)</u>
Net Investment in Capital Assets	<u>\$ 1,811,811</u>

Note 4 – **LONG-TERM LIABILITIES**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 935,000	\$ -	\$ 90,000	\$ 845,000	\$ 95,000
Capital Lease Payable	69,008	186,250	38,908	216,350	78,325
Early Retirement	7,296	-	7,027	269	84,535
Net OPEB Liability	37,210	15,041	-	52,251	-
Qualified Zone Academy Bonds	1,000,000	-	-	1,000,000	-
Long-Term Liabilities	<u>\$ 2,048,514</u>	<u>\$ 201,291</u>	<u>\$ 135,935</u>	<u>\$ 2,113,870</u>	<u>\$ 257,860</u>

**General Obligation Bonds**

The District adopted a resolution, on June 15, 2009, providing for the issuance of \$1,285,000 in General Obligation School Refunding Bonds, Series 2009. Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

Note 4 – **LONG-TERM LIABILITIES (Continued)**

Year Ending June 30	Interest Rates	Principal	Interest
2015	2.85	\$ 95,000	\$ 30,868
2016	3.10	95,000	28,160
2017	3.35	100,000	25,215
2018	3.60	105,000	21,865
2019	3.80	105,000	18,085
2020-2022	4.00-4.15	345,000	28,770
	Total	<u>\$ 845,000</u>	<u>\$ 152,963</u>

**Qualified Zone Academy Bonds**

The District borrowed \$1,000,000 under the Qualified Zone Academy Bonds (QZAB). This program is aimed at Districts with 35% or more free and reduced price meal eligibility. Funds can be used for renovation and repairs, energy saving measures, or technology. The debt is repaid from the same fund as the original expense is made from. This will primarily, if not entirely, be from the Capital Projects Fund. The notes are non-interest bearing. The District makes deposits of \$62,062 to the bank that goes into an interest-bearing reserve account with a guaranteed rate of 3.5%. At July 1, 2022, the District will have \$1,000,000 in the account from their deposits and interest to pay the loan.

**Capital Lease**

The District entered into a \$96,500 three year lease in April 2012, with purchase options, for a school bus. Three payments totaling \$97,997 are required with a bargain purchase option at the end of the lease. The interest rate is 3.0%. The first payment was made in fiscal year 2012.

The District entered into a \$186,250 four year lease in October 2013, with purchase options, for two school busses. Three payments totaling \$170,007 are required with a bargain purchase option at the end of the lease. The interest rate is 2.33%. The first payment was made in fiscal year 2014.

Year Ending June 30	Governmental Activities	
	Principal	Interest
2015	\$ 78,325	\$ 5,454
2016	22,746	3,257
2017	115,279	2,721
	<u>\$ 216,350</u>	<u>\$ 11,432</u>

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 4 – LONG-TERM LIABILITIES (Continued)**

**Early Retirement**

The District offered a one-time voluntary early retirement plan during fiscal year 2010 to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed twenty-eight years of service as a full-time licensed employee to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives are equal to a total cash payment of \$24,000 payable in either two yearly installments of \$12,000 or four yearly installments of \$6,000.

The District offered a one-time voluntary early retirement plan during fiscal year 2011 to its certified employees. Eligible employees must be at least age fifty-six and employees must have completed twenty-nine years of service as a full-time licensed employee to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives are equal to a total cash payment of \$30,000 payable in five yearly installments of \$6,000.

The District offered a one-time voluntary early retirement plan during fiscal year 2014 to its certified employees. Eligible employees must be at least age fifty-six and employees must have completed fifteen years of service as a full-time licensed employee to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives are equal to a total 403b plan payment of \$36,000 payable in bi-annual installments of \$18,000.

Early retirement benefits paid during the year ended June 30, 2014, totaled \$84,535. There were three retired individuals receiving benefits at June 30, 2014.

**Note 5 – INTERFUND RECEIVABLES AND PAYABLES**

As of June 30, 2014, short-term interfund borrowings were as follows:

Fund Due To	Fund Due From	Amount
General Fund	Nutrition Fund	\$ 26,451
General Fund	SILO Fund	1,057
PPEL	General Fund	14,349
		<u>\$ 41,857</u>

The purpose of the interfund balance from the Nutrition Fund to the General Fund is reimbursement for payroll and benefits that was paid out of the General Fund that is related to the Nutrition Fund. The interfund balance the Capital Projects Fund owes the General Fund is for expenses that should have been paid by the Capital Projects fund. The amount due from the General Fund to PPEL is for revenue inappropriately recorded in the General Fund and expenses not appropriate for the PPEL fund.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 6 – PENSION AND RETIREMENT BENEFITS**

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$147,764, \$138,602, and \$182,393, respectively, equal to the required contributions for each year.

**Note 7 – OTHER POSTEMPLOYMENT BENEFITS**

*Plan Description.* An employee who has a minimum of 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. Premiums are based on the full active employee premium rate.

*Funding Policy.* 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 other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 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 thirty years.

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

Annual required contribution	\$ 33,097
Interest on net OPEB obligation	930
Adjustment to annual required contribution	<u>(4,400)</u>
Annual OPEB cost (Expense)	29,627
Contributions made	<u>(14,586)</u>
Increase in net OPEB obligation	15,041
Net OPEB obligation - beginning of year	<u>37,210</u>
Net OPEB obligation - end of year	<u><u>\$ 52,251</u></u>

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2011	\$ 12,256	50.60%	\$ 13,494
2012	\$ 15,339	37.21%	\$ 21,014
2013	\$ 32,056	49.48%	\$ 37,210
2014	\$ 29,627	49.23%	\$ 52,251

*Funded Status and Funding Progress.* The funded status of the plan as of December 31, 2013 was as follows:

Actuarial accrued liability (AAL)	\$ 129,807
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 129,807</u>
Covered payroll (active members)	\$ 1,642,000
UAAL as a percentage of covered payroll	7.91%

*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 healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer 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 following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan 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 and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**Note 8 – AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$129,339 for the year ended June 30, 2014, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 9 – RISK MANAGEMENT**

Armstrong-Ringsted 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.

**Note 10- CATEGORICAL FUNDING**

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

<u>Program</u>	<u>Amount</u>
Teacher Mentoring Program	\$ 5,971
Teacher Salary Supplement	19,194
Professional Development	55,228
Dropout Prevention	14,913
Total	<u>\$ 95,306</u>

**Note 11 – REORGANIZATION**

The voters of the Armstrong-Ringsted and Sentral School Districts have approved a reorganization of the districts effective July 1, 2014 with the new district being called the North Union Community School District. Beginning in fiscal year 2015, the North Union CSD will adopt GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. The beginning net position of North Union CSD will be the combining carrying values of Sentral and Armstrong-Ringsted's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The succeeding year property taxes for fiscal year 2014 for Sentral and Armstrong-Ringsted, which were levied for the North Union CSD for fiscal year 2015 totaling \$3,060,911, have the same levy rates with the exception of the debt service levy. The total succeeding year property taxes for the debt service levy is \$602,172 with Armstrong-Ringsted's portion being \$451,367 based on a levy rate of 2.42677.

**Note 12 – DEFICIT BALANCE**

The Nutrition Fund had a deficit fund balance as of June 30, 2014 of (\$8,202). This deficit will be financed through future revenues and through the reorganization of the District with Sentral to create the North Union CSD.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET**  
**AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final to Actual Variance
<b>Revenue</b>					
Local Sources:					
Local Taxes	\$ 2,382,011	\$ -	\$ 2,382,011	\$ 2,243,552	\$ 138,459
Tuition	955,876	-	955,876	285,000	670,876
Other	394,771	73,541	468,312	624,350	(156,038)
State Sources	1,313,594	968	1,314,562	1,239,154	75,408
Federal Sources	172,005	42,669	214,674	250,000	(35,326)
Total Receipts	<u>5,218,257</u>	<u>117,178</u>	<u>5,335,435</u>	<u>4,642,056</u>	<u>693,379</u>
<b>Expenditures</b>					
Instruction	3,550,139	-	3,550,139	3,299,504	(250,635)
Support Services	1,355,490	-	1,355,490	2,796,984	1,441,494
Non-Instructional Programs	-	118,700	118,700	191,356	72,656
Other Expenditures	407,820	-	407,820	1,141,003	733,183
Total Expenditures	<u>5,313,449</u>	<u>118,700</u>	<u>5,432,149</u>	<u>7,428,847</u>	<u>1,996,698</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(95,192)	(1,522)	(96,714)	(2,786,791)	2,690,077
<b>Other Financing Sources (Uses)</b>					
Operating Transfers From Other Funds	44,247	-	44,247	77,024	(32,777)
Operating Transfers to Other Funds	(44,247)	-	(44,247)	(77,024)	32,777
Proceeds from Sale of Capital Assets	37,000	-	37,000	-	37,000
Long-Term Debt Proceeds	186,250	-	186,250	-	186,250
Total Other Financing Sources (Uses)	<u>223,250</u>	<u>-</u>	<u>223,250</u>	<u>-</u>	<u>223,250</u>
<b>Change in Fund Balance</b>	128,058	(1,522)	126,536	(2,786,791)	2,913,327
<b>Fund Balance at Beginning of Year</b>	<u>3,606,222</u>	<u>(6,680)</u>	<u>3,599,542</u>	<u>3,599,542</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 3,734,280</u>	<u>\$ (8,202)</u>	<u>\$ 3,726,078</u>	<u>\$ 812,751</u>	<u>\$ 2,913,327</u>

See Accompanying Independent Auditor's Report

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2014**

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures 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 functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, there were no budget amendments.

During the year ended June 30, 2014, expenditures in the Instruction function exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
YEAR ENDED JUNE 30, 2014**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	7/1/2009	\$ -	\$ 127,011	\$ 127,011	0%	\$ 2,220,000	5.7%
2011	7/1/2009	\$ -	\$ 124,823	\$ 124,823	0%	\$ 2,313,000	5.4%
2012	7/1/2009	\$ -	\$ 166,014	\$ 166,014	0%	\$ 2,435,000	6.8%
2013	7/1/2012	\$ -	\$ 152,980	\$ 152,980	0%	\$ 1,692,000	9.0%
2014	7/1/2012	\$ -	\$ 129,807	\$ 129,807	0%	\$ 1,642,000	7.9%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**OTHER SUPPLEMENTARY  
INFORMATION**

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**GOVERNMENTAL NONMAJOR FUNDS**  
**JUNE 30, 2014**

**SCHEDULE 1**

	Special Revenue Funds		Debt Service Fund	
	Student Activity	Management	Debt Service	Total
<b>Assets</b>				
Cash and Cash Equivalents	\$ 79,507	\$ 505,767	\$ 330,939	\$ 916,213
Receivables:				
Property Tax	-	1,026	4,648	5,674
Other	2,900	-	-	2,900
<b>Total Assets</b>	<b>82,407</b>	<b>506,793</b>	<b>335,587</b>	<b>924,787</b>
 <b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	4,839	5,370	-	10,209
Early Retirement Payable	-	84,535	-	84,535
<b>Total Liabilities</b>	<b>4,839</b>	<b>89,905</b>	<b>-</b>	<b>94,744</b>
 <b>Fund Balances</b>				
Restricted for:				
Student Activities	77,568	-	-	77,568
Debt Service	-	-	335,587	335,587
Management Levy	-	416,888	-	416,888
<b>Total Fund Balances</b>	<b>77,568</b>	<b>416,888</b>	<b>335,587</b>	<b>830,043</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 82,407</b>	<b>\$ 506,793</b>	<b>\$ 335,587</b>	<b>\$ 924,787</b>

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT** **SCHEDULE 2**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL NONMAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds		Debt Service Fund	Total
	Student Activity	Management	Debt Service	
<b>Revenues</b>				
Local Sources				
Local Tax	\$ -	\$ 100,100	\$ 454,167	\$ 554,267
Other	178,312	3,548	339	182,199
State Revenues	-	42	191	233
<b>Total Revenues</b>	<u>178,312</u>	<u>103,690</u>	<u>454,697</u>	<u>736,699</u>
<b>Expenditures</b>				
Instruction:				
Regular Instruction	-	84,535	-	84,535
Other Instruction	152,116	-	-	152,116
Support Services:				
Administration Services	-	47,693	2,280	49,973
Operation and Maintenance	-	11,989	-	11,989
Transportation Services	-	4,283	-	4,283
Other Expenditures:				
Long-Term Debt				
Principal	-	-	128,908	128,908
Interest and Fiscal Charges	-	-	35,264	35,264
<b>Total Expenditures</b>	<u>152,116</u>	<u>148,500</u>	<u>166,452</u>	<u>467,068</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	26,196	(44,810)	288,245	269,631
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	40,964	40,964
Transfers Out	-	(3,283)	-	(3,283)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(3,283)</u>	<u>40,964</u>	<u>37,681</u>
<b>Net Change in Fund Balances</b>	26,196	(48,093)	329,209	307,312
<b>Fund Balances at Beginning of Year</b>	<u>51,372</u>	<u>464,981</u>	<u>6,378</u>	<u>522,731</u>
<b>Fund Balances at End of Year</b>	<u>\$ 77,568</u>	<u>\$ 416,888</u>	<u>\$ 335,587</u>	<u>\$ 830,043</u>

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
<b>Assets</b>				
Cash	\$ 18,575	\$ 40,127	\$ 43,836	\$ 14,866
<b>Liabilities</b>				
Other Payables	\$ 18,575	\$ 40,127	\$ 43,836	\$ 14,866

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY  
 FOR THE YEAR ENDED JUNE 30, 2014**

**SCHEDULE 4**

	Balance June 30, 2013	Revenues and Interfund Transfers	Expenditures	Balance June 30, 2014
Senior High/Junior High	\$ 44,946	\$ 75,430	\$ 63,050	\$ 57,326
Athletics	6,426	102,882	89,066	20,242
Total for Activity Funds	<u>\$ 51,372</u>	<u>\$ 178,312</u>	<u>\$ 152,116</u>	<u>\$ 77,568</u>

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE LAST TEN YEARS**

	Modified Accrual Basis of Accounting				
	2014	2013	2012	2011	2010
<b>Revenues:</b>					
Local Sources:					
Local Tax	\$ 2,382,011	\$ 2,702,809	\$ 2,792,776	\$ 3,027,777	\$ 2,241,471
Tuition	955,876	931,807	278,721	287,376	203,011
Other	394,771	504,305	400,334	255,540	316,921
State Sources	1,313,594	1,396,524	1,422,798	1,457,111	1,329,860
Federal Sources	172,005	226,077	252,772	271,751	301,289
	<u>\$ 5,218,257</u>	<u>\$ 5,761,522</u>	<u>\$ 5,147,401</u>	<u>\$ 5,299,555</u>	<u>\$ 4,392,552</u>
<b>Expenditures:</b>					
Instruction:	\$ 3,550,139	\$ 3,369,455	\$ 2,660,387	\$ 2,671,569	\$ 2,675,110
Support Services:					
Student Services	48,028	43,672	81,641	75,421	24,764
Instructional Staff Services	121,144	105,395	137,452	59,490	73,189
Administration Services	432,792	385,993	663,643	411,173	323,754
Operations and Maintenance	341,147	645,582	308,109	479,924	426,502
Transportation Services	412,379	227,501	207,282	159,473	148,374
Other Expenditures:					
Facilities Acquisition	114,309	170,309	230,186	315,352	377,439
Long-term Debt:					
Principal	128,908	102,531	154,400	159,136	260,144
Interest and Other Charges	35,264	37,707	42,638	45,212	48,182
AEA Flowthrough	129,339	125,086	123,774	139,246	140,280
	<u>\$ 5,313,449</u>	<u>\$ 5,213,231</u>	<u>\$ 4,609,512</u>	<u>\$ 4,515,996</u>	<u>\$ 4,497,738</u>

SCHEDULE 5

2009	2008	2007	2006	2005
\$ 2,047,835	\$ 2,030,572	\$ 1,795,260	\$ 1,746,181	\$ 2,098,077
203,470	243,263	230,328	212,314	224,679
282,860	385,287	330,536	294,668	268,605
1,538,756	1,593,625	1,555,247	1,458,858	1,260,638
157,949	90,715	114,380	112,358	251,576
<u>\$ 4,230,870</u>	<u>\$ 4,343,462</u>	<u>\$ 4,025,751</u>	<u>\$ 3,824,379</u>	<u>\$ 4,103,575</u>
\$ 2,688,949	\$ 2,570,080	\$ 2,626,052	\$ 2,485,767	\$ 2,321,291
29,517	154,489	59,250	79,631	49,275
95,673	92,379	78,654	82,658	63,851
389,140	420,329	415,980	407,162	421,238
554,705	436,556	399,193	608,028	280,037
163,837	191,223	184,899	199,062	195,960
255,094	125,098	312,616	82,365	434,042
70,000	65,000	60,000	60,000	55,000
79,978	57,872	59,973	61,073	62,122
126,265	123,971	122,539	113,850	112,875
<u>\$ 4,453,158</u>	<u>\$ 4,236,997</u>	<u>\$ 4,319,156</u>	<u>\$ 4,179,596</u>	<u>\$ 3,995,691</u>

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

To the Board of Education of the  
Armstrong-Ringsted Community School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Armstrong-Ringsted Community School District, Armstrong Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 16, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Armstrong-Ringsted Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 II of the accompanying Schedule of Findings as item 14-II-A and 14-II-B to be material weaknesses.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and is not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Armstrong-Ringsted 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 III of the accompanying Schedule of Findings.

### **Armstrong-Ringsted Community School District's Response to Findings**

Armstrong-Ringsted Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Armstrong-Ringsted 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.

*Williams + Company, PC*  
Certified Public Accountants

Spencer, Iowa  
February 16, 2015

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014**

**PART I – SUMMARY OF INDEPENDENT AUDITORS’ RESULTS**

- (A) An unmodified opinion was issued on the financial statements.
- (B) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (C) The audit did not disclose any non-compliance, which is material to the financial statements.

**PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**INSTANCES OF NON-COMPLIANCE:** No matters were reported.

**MATERIAL WEAKNESSES:**

**14-II-A Financial Reporting**

Criteria – The District is responsible for the accuracy and correct reporting of the financial statements.

Condition - During our audit, we identified material receivables, capital assets, early retirement payable, and expenses, and immaterial fund balance, revenues, and expenses not recorded properly in the District’s financial statements. Adjustments were subsequently made by the District to properly include those amounts in the financial statements.

Effect - As a result of these misstatements, the financial statements were materially misstated.

Recommendation – The District should implement procedures to ensure all receivables, capital assets, early retirement payable, fund balance, revenues, and expenses are identified and included in the District’s financial statements.

Response – The District will review these in the future to avoid missing any of these transactions.

Conclusion – Response accepted.

**14-II-B Segregation of Duties**

Criteria – The District is responsible for the establishment of adequate segregation of duties to help prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District’s financial statements.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014**

**PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)**

Condition - The District has a small accounting staff and accordingly has not been able to achieve full segregation of duties over all accounting transactions. Employees who handle cash receipts are also involved with the posting of payments and reconciling the bank statements. Also, the same employee that is entering the payroll information is also processing the payroll.

Effect - As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period. Internal controls that are in place could be averted, overridden, or not consistently implemented.

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

Response – The District feels that additional personnel would not be cost effective. Management and the school board of the newly reorganized North Union CSD will review procedures and investigate available alternatives.

Conclusion – Response accepted.

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**

14-III-A: Certified Budget – Disbursements for the year ended June 30, 2014 exceeded the certified budget amounts in the Instructional function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended for insufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

14-III-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

14-III-C: Travel Expense – No expenditures of Armstrong-Ringsted Community School District were for travel expenses of spouses of District officials or employees.

14-III-D: Business Transactions – No business transactions between the District and the District officials or employees were noted.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING  
(CONTINUED)**

- 14-III-E: Bond Coverage - Surety bond coverage of Armstrong-Ringsted Community School District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- 14-III-F: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.
- 14-III-G: Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- 14-III-H: Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 14-III-I: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- 14-III-J: Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.
- 14-III-K: Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 14-III-L: Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provision 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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District's reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING  
(CONTINUED)**

Beginning Balance		\$ 602,180
Statewide Sales and Services Tax Revenue	261,678	
Other	10,309	<u>271,987</u>
		874,167
Expenditures/Transfers Out:		
School Infrastructure:		
Facilities Acquisition	23,766	<u>23,766</u>
Ending Balance		<u><u>\$ 850,401</u></u>

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

14-III-M: Deficit Balances – The Nutrition Fund had a deficit balance at June 30, 2014.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit.

Response – The District is aware of this situation and future revenues and the reorganization of the District with Sentral to create the North Union CSD will eliminate this deficit by June 30, 2015.

Conclusion – Response accepted.

14-III-N: Student Activity Fund: - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's education program. All moneys in Student Activity Fund appear to be extracurricular or co-curricular in nature.