

Rudd-Rockford-Marble Rock Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2014

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	13
Statement of Activities	B	14-15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Position	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Position	G	20
Statement of Revenues, Expenses and Changes in Fund Net Position	H	21
Statement of Cash Flows	I	22
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	23
Statement of Changes in Fiduciary Net Position	K	24
Notes to Financial Statements		25-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses And Changes in Balances-Budget and Actual-All Governmental Funds and Proprietary Funds		35
Notes to Required Supplementary Information-Budgetary Reporting		36
Schedule of Funding Progress for the Retiree Health Plan		37
Supplementary Information:	<u>Schedule</u>	
Non-major Governmental Funds:		
Combining Balance Sheet	1	38
Combining Schedule of Revenues, Expenditures and Changes In Fund Balances	2	39
Capital Project Accounts:		
Combining Balance Sheet	3	40
Combining Schedule of Revenues, Expenditures and Changes in Balances	4	41
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	42
Schedule of Revenues by Source and Expenditures by Function-All Governmental Funds	6	43
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		44-45
Schedule of Findings		46-52

Independent Auditor's Report

To the Board of Education of
Rudd-Rockford-Marble Rock Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rudd-Rockford-Marble Rock Community School District, Rockford, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rudd-Rockford-Marble Rock Community School District, 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 U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rudd-Rockford-Marble Rock Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the one year ended June 30, 2013, a different accounting firm audited the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 12, 2015 on my consideration of Rudd-Rockford-Marble Rock Community School District's internal control over financial reporting and on my 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 my 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 Rudd-Rockford-Marble Rock Community School District's internal control over financial reporting and compliance.



Keith Oltrogge
Certified Public Accountant

March 12, 2015

Rudd-Rockford-Marble Rock Community School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Rudd-Rockford-Marble Rock 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 \$5,188,749 in fiscal 2013 to \$5,112,894 in fiscal 2014, while General Fund expenditures increased from \$5,129,367 in fiscal 2013 to \$5,321,684 in fiscal 2014. The District's General Fund balance decreased from \$1,072,153 in fiscal 2013 to \$863,363 in fiscal 2014, a 19.5% decrease.
- The decrease in General Fund revenues was attributable to a decrease in local, state and federal revenue in fiscal year 2014. The increase in expenditures was due primarily to an increase in instruction and support services costs.
- The District's solvency ratio has decreased from 18.8% at June 30, 2013 to 15.0% at June 30, 2014. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations..

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 Rudd-Rockford-Marble Rock Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Rudd-Rockford-Marble Rock Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Rudd-Rockford-Marble Rock Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major governmental funds.

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

Figure A-1
Rudd-Rockford-Marble Rock Community School District Annual Financial Report

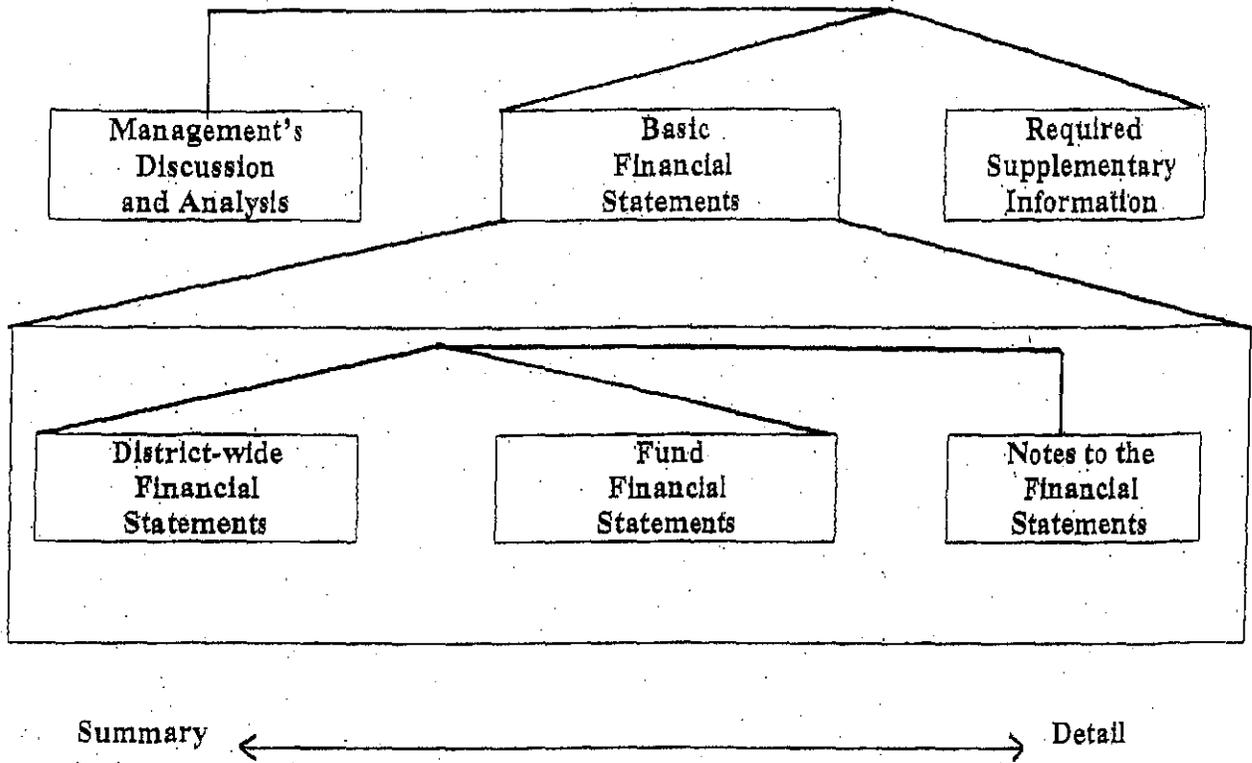


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year'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 it has changed. Net position 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 Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show 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, Capital Projects Fund and Debt Service Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

- 3) Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this 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 and a Statement of Changes in Fiduciary Net Position.

Reconciliation 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 Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$5,059,981	\$5,046,179	\$38,464	\$45,317	\$5,098,445	\$5,091,496	1.4%
Capital assets	3,925,559	3,837,092	2,110	3,238	3,927,669	3,840,330	2.3%
Total assets	\$8,985,540	\$8,883,271	\$40,574	\$48,555	\$9,026,114	\$8,931,826	1.1%
Long-term liabilities	\$158,780	\$211,494	\$-	\$-	\$158,780	\$211,494	-24.9%
Other liabilities	856,829	800,371	23,006	25,361	879,835	825,732	6.6%
Total liabilities	\$1,015,609	\$1,011,865	\$23,006	\$25,361	\$1,038,615	\$1,037,226	0.1%
Deferred inflows of resources	\$2,376,589	\$2,366,861	\$-	\$-	\$2,376,589	\$2,366,861	0.4%
Net position:							
Net investment in capital assets	\$3,894,515	\$3,744,835	\$2,110	\$3,238	\$3,896,625	\$3,748,073	4.0%
Restricted	1,079,500	960,031	-	-	1,079,500	960,031	12.4%
Unrestricted	686,578	892,553	-51,793	-72,918	634,785	819,635	-22.6%
Total net position	\$5,660,593	\$5,597,419	-\$49,683	-\$69,680	\$5,610,910	\$5,527,739	1.5%

The District’s combined net position increased by nearly 1.5%, or \$83,171, over the prior year. The largest portion of the District’s net position is in the “invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt”. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position increased approximately \$119,469, or 12.4% over the prior year. The increase was primarily due to the increase in the management fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$184,850, or 22.6%. This decrease was due to general fund expenditures exceeding revenue.

Figure A-4 shows the change in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$616,114	\$604,942	\$140,891	\$143,497	\$757,005	\$748,439	1.1%
Operating grants, contributions and restricted interest	876,816	842,623	136,770	123,873	1,013,586	966,496	4.9%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	2,368,328	2,642,371	-	-	2,368,328	2,642,371	-10.4%
Statewide sales, service and use tax	414,425	345,343	-	-	414,425	345,343	20.0%
Unrestricted state grants	1,806,004	1,753,539	-	-	1,806,004	1,753,539	3.0%
Unrestricted investment earnings	6,662	7,218	142	-	6,804	7,218	-5.7%
Other	71,301	57,299	-	-	71,301	57,299	24.4%
Total revenues	\$6,159,650	\$6,253,335	\$277,803	\$267,370	\$6,437,453	\$6,520,705	-1.3%
Program expenses:							
Governmental activities:							
Instruction	\$4,144,007	\$4,104,249	\$-	\$-	\$4,144,007	\$4,104,249	10.8%
Support services	1,738,147	1,580,109	-	-	1,738,147	1,580,109	10.0%
Non-instructional programs	9,085	4,309	257,806	260,798	266,891	265,107	0.7%
Other expenses	205,237	210,991	-	-	205,237	210,991	-2.7%
Total expenses	\$6,096,476	\$5,899,658	\$257,806	\$260,798	\$6,354,282	\$6,160,456	3.1%
Change in net position	\$63,174	\$353,677	\$19,997	\$6,572	\$83,171	\$360,249	-76.9%
Net position, beginning of year	\$5,597,419	\$5,243,742	-\$69,680	-\$77,492	\$5,527,739	\$5,166,250	7.0%
Prior period adjustment	-	-	-	1,240	-	1,240	-100%
Adjusted net position, beginning of year	\$5,597,419	\$5,243,742	-\$69,680	-\$76,252	\$5,527,739	\$5,167,490	7.0%
Net position, end of year	\$5,660,593	\$5,597,419	\$49,683	-\$69,680	\$5,610,910	\$5,527,739	1.5%

In fiscal year 2014, property tax and unrestricted state grants account for 64.8% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue.

The District's total revenues were approximately \$6.4 million, of which approximately \$6.1 million was for governmental activities and less than \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.3% decrease in revenues and a 3.1% increase in expenses. Property tax decreased approximately \$274,043.

Governmental Activities

Revenues for governmental activities were \$6,159,650 and expenses were \$6,096,476 for the year ended June 30, 2014. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District’s major governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

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

	Total Cost of Services		Change	Net Cost of Services		Change
	2014	2013	2013-2014	2014	2013	2013-2014
Instruction	\$4,144,007	\$4,104,249	0.9%	\$2,668,700	\$2,671,790	-0.1%
Support services	1,738,147	1,580,109	10.0%	1,720,524	1,565,003	9.9%
Non-instructional programs	9,085	4,309	110.8%	9,085	4,309	110.8%
Other expenses	205,237	210,991	-2.7%	205,237	210,991	-2.7%
Totals	\$6,096,476	\$5,899,658	3.3%	\$4,603,546	\$4,452,093	3.4%

For the year ended June 30, 2014:

- The cost financed by users of the District’s programs was \$757,005.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,013,586.
- The net cost of governmental activities was financed with \$2,782,753 in property and other taxes and \$1,806,004 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$277,803 and expenses were \$257,806. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Rudd-Rockford-Marble Rock 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 \$5,660,593, well above last year’s ending fund balances of \$5,597,419.

Governmental Fund Highlights

- The District’s decrease in General Fund financial position is the result of many factors. Decreases during the year in taxes resulted in a decrease in revenues. Over all increases in expenditures resulted in the General Fund balance decreasing.
- The General Fund balance decreased from \$1,072,153 to \$863,363, due in part to the decrease in local, state and federal revenue.
- The Capital Projects Fund balance increased from \$572,405 to \$613,860 due in part to the revenues exceeding expenditures.

BUDGETARY HIGHLIGHTS

The District’s receipts were \$329,785 more than budgeted receipts, a variance of 5.4%. The most significant variance resulted from the District receiving more in local revenue than originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$3,927,669, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 2.3% from last year. More detailed information about the District’s capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$398,127.

The original cost of the District’s capital assets was \$7,937,025. Governmental funds account for \$7,923,488, with the remainder of \$13,537 for in the Proprietary, School Nutrition Fund.

**Figure A-6
Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$118,000	\$118,000	\$-	\$-	\$118,000	\$118,000	-
Construction in process	12,180	77,437	-	-	12,180	77,437	-84.3%
Buildings	2,670,145	2,580,432	-	-	2,670,145	2,580,432	3.5%
Improvements other than buildings	346,026	378,918	-	-	346,026	378,918	-8.7%
Furniture and equipment	779,208	682,305	2,110	3,238	781,318	685,543	14.0%
Totals	\$3,925,559	\$3,837,092	\$2,110	\$3,238	\$3,927,669	\$3,840,330	2.3%

Long-Term Debt

At June 30, 2014, the District had \$31,044 in other long-term debt outstanding. This represents a decrease of 66.4% from last year. (See Figure A-7) Additional information about the District’s long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District’s debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District’s outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$16.7 million.

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

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-2014
Capital lease payable	\$31,044	\$92,257	-66.4%

ECONOMIC 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 significantly affect its financial health in the future:

- Funding to local school districts from federal and state agencies needs to be monitored closely, as possible decreases will result in less funding and may require budget adjustments in some areas in the future..

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael Kalvig, Business Manager, Rudd-Rockford-Marble Rock Community School District, 1460 Highway 147, Rockford IA 50468.

Basic Financial Statements

Rudd-Rockford-Marble Rock Community School District

Statement of Net Position

June 30, 2014

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash, Cash Equivalents and Pooled Investments	\$ 2,330,055	\$ 33,046	\$ 2,363,101
Receivables:			
Property tax:			
Delinquent	32,735	-	32,735
Succeeding year	2,376,589	-	2,376,589
Accounts	236,454	793	237,247
Due from other governments	37,437	-	37,437
Prepaid expenses	46,711	1,850	48,561
Inventories	-	2,775	2,775
Capital assets, net of accumulated depreciation	3,925,559	2,110	3,927,669
Total Assets	\$ 8,985,540	\$ 40,574	\$ 9,026,114
Liabilities			
Accounts payable	\$ 276,792	\$ 150	\$ 276,942
Salaries and benefits payable	561,743	19,631	581,374
Accrued interest payable	12	-	12
Advances from grantors	18,282	-	18,282
Unearned revenue	-	3,225	3,225
Long-term liabilities:			
Portion due within one year:			
Early retirement	9,449	-	9,449
Capital lease	31,044	-	31,044
Portion due after one year:			
Early retirement	8,467	-	8,467
Net OPEB liability	109,820	-	109,820
Total Liabilities	\$ 1,015,609	\$ 23,006	\$ 1,038,615
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 2,376,589	\$ -	\$ 2,376,589
Net Position			
Net investment in capital assets	\$ 3,894,515	\$ 2,110	\$ 3,896,625
Restricted for:			
Categorical funding	66,953	-	66,953
Management levy purposes	359,496	-	359,496
Physical plant and equipment	172,843	-	172,843
Student activities	39,191	-	39,191
Capital projects	441,017	-	441,017
Unrestricted	686,578	-51,793	634,785
Total Net Position	\$ 5,660,593	\$ -49,683	\$ 5,610,910

See notes to financial statements.

Rudd-Rockford-Marble Rock Community School District

Statement of Activities

Year Ended June 30, 2014

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,452,679	\$ 293,616	\$ 701,909	\$ -
Special instruction	775,033	54,859	96,394	-
Other instruction	916,295	255,959	72,570	-
	<u>\$ 4,144,007</u>	<u>\$ 604,434</u>	<u>\$ 870,873</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 113,230	\$ -	\$ 2,568	\$ -
Instructional staff services	123,988	-	-	-
Administration services	587,616	-	-	-
Operation and maintenance of plant services	534,893	11,422	1,615	-
Transportation services	378,420	258	1,760	-
	<u>\$ 1,738,147</u>	<u>\$ 11,680</u>	<u>\$ 5,943</u>	<u>\$ -</u>
Non-instructional programs	\$ 9,085	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ 2,831	\$ -	\$ -	\$ -
Long-term debt interest	1,440	-	-	-
AEA flow-through	200,966	-	-	-
	<u>\$ 205,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 6,096,476</u>	<u>\$ 616,114</u>	<u>\$ 876,816</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 257,806	\$ 140,891	\$ 136,770	\$ -
Total	<u>\$ 6,354,282</u>	<u>\$ 757,005</u>	<u>\$ 1,013,586</u>	<u>\$ -</u>

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ -1,457,154	\$ -	\$ -1,457,154
-623,780	-	-623,780
-587,766	-	-587,766
<u>\$ -2,668,700</u>	<u>\$ -</u>	<u>\$ -2,668,700</u>
\$ -110,662	\$ -	\$ -110,662
-123,988	-	-123,988
-587,616	-	-587,616
-521,856	-	-521,856
-376,402	-	-376,402
<u>\$ -1,720,524</u>	<u>\$ -</u>	<u>\$ -1,720,524</u>
<u>\$ -9,085</u>	<u>\$ -</u>	<u>\$ -9,085</u>
\$ -2,831	\$ -	\$ -2,831
-1,440	-	-1,440
-200,966	-	-200,966
<u>\$ -205,237</u>	<u>\$ -</u>	<u>\$ -205,237</u>
<u>\$ -4,603,546</u>	<u>\$ -</u>	<u>\$ -4,603,546</u>
<u>\$ -</u>	<u>\$ 19,855</u>	<u>\$ 19,855</u>
<u>\$ -4,603,546</u>	<u>\$ 19,855</u>	<u>\$ -4,583,691</u>

Rudd-Rockford-Marble Rock Community School District

Statement of Activities

Year Ended June 30, 2014

	<u>Program Revenues</u>		
		Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Expenses</u>	<u>Charges for Services</u>		

General Revenues:

- Property Tax Levied For:
 - General purposes
 - Capital outlay
- Statewide sales, services and use tax
- Unrestricted state grants
- Unrestricted investment earnings
- Other

Total General Revenues

Change in net position

Net position beginning of year

Net Position End of Year

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 2,167,124	\$ -	\$ 2,167,124
201,204	-	201,204
414,425	-	414,425
1,806,004	-	1,806,004
6,662	142	6,804
71,301	-	71,301
\$ 4,666,720	\$ 142	\$ 4,666,862
\$ 63,174	\$ 19,997	\$ 83,171
5,597,419	-69,680	5,527,739
\$ 5,660,593	\$ -49,683	\$ 5,610,910

Rudd-Rockford-Marble Rock Community School District

Balance Sheet
Governmental Funds

June 30, 2014

Assets	General	Capital Projects	Non-Major Funds	Total
Cash, Cash Equivalents and Pooled Investments	\$ 1,350,190	\$ 567,053	\$ 412,812	\$ 2,330,055
Receivables:				
Property Tax:				
Delinquent	27,187	2,782	2,766	32,735
Succeeding year	2,017,750	208,839	150,000	2,376,589
Accounts	85,104	151,350	-	236,454
Due from other governments	37,437	-	-	37,437
Due from other funds	67,250	5,276	601	73,127
Prepaid expenses	44,878	-	1,833	46,711
Total assets	\$ 3,629,796	\$ 935,300	\$ 568,012	\$ 5,133,108
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Due to other funds	\$ 5,876	\$ -	\$ -	\$ 5,876
Accounts payable	162,782	112,601	1,409	276,792
Salaries and benefits payable	561,743	-	-	561,743
Advances from grantors	18,282	-	-	18,282
Total liabilities	\$ 748,683	\$ 112,601	\$ 1,409	\$ 862,693
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	\$ 2,017,750	\$ 208,839	\$ 150,000	\$ 2,376,589
Total deferred inflows of resources	\$ 2,017,750	\$ 208,839	\$ 150,000	\$ 2,376,589
Fund Balances:				
Restricted for:				
Categorical funding	\$ 66,953	\$ -	\$ -	\$ 66,953
Management levy purposes	-	-	377,412	377,412
Student activities	-	-	39,191	39,191
School infrastructure	-	441,017	-	441,017
Physical plant and equipment	-	172,843	-	172,843
Unrestricted	796,410	-	-	796,410
Total fund balances	\$ 863,363	\$ 613,860	\$ 416,603	\$ 1,893,826
Total liabilities, deferred inflows of resources and fund balances	\$ 3,629,796	\$ 935,300	\$ 568,012	\$ 5,133,108

See notes to financial statements.

Rudd-Rockford-Marble Rock Community School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Position

June 30, 2014

Total fund balances of governmental funds (page 16)	\$ 1,893,826
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	3,925,559
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds	-12
Long-term liabilities, including bonds and notes payable, compensated absences payable, and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds	<u>-158,780</u>
Net position of governmental activities (page 13)	<u>\$ 5,660,593</u>

Rudd-Rockford-Marble Rock Community School District

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

Year Ended June 30, 2014

	General	Capital Projects	Non-Major Funds	Total
Revenues:				
Local Sources:				
Local tax	\$ 1,966,998	\$ 615,629	\$ 200,126	\$ 2,782,753
Tuition	308,546	-	-	308,546
Other	156,346	27,851	201,334	385,531
Intermediate sources	-	-	-	-
State sources	2,468,996	1,716	100	2,470,812
Federal sources	212,008	-	-	212,008
Total Revenues	\$ 5,112,894	\$ 645,196	\$ 401,560	\$ 6,159,650
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,074,718	\$ 97,683	\$ 28,829	\$ 2,201,230
Special instruction	775,033	-	-	775,033
Other instruction	734,174	-	207,321	941,495
	\$ 3,583,925	\$ 97,683	\$ 236,150	\$ 3,917,758
Support Services:				
Student services	\$ 111,827	\$ -	\$ 337	\$ 112,164
Instructional staff services	91,771	37,916	133	129,820
Administration services	562,220	18,953	3,319	584,492
Operation and maintenance of plant services	469,434	48,888	46,703	565,025
Transportation services	301,541	108,335	20,109	429,985
	\$ 1,536,793	\$ 214,092	\$ 70,601	\$ 1,821,486
Non-instructional programs	\$ -	\$ 1,449	\$ 5,505	\$ 6,954
Other Expenditures:				
Facilities acquisition	\$ -	\$ 227,840	\$ -	\$ 227,840
Long-Term Debt:				
Principal	-	-	61,213	61,213
Interest and fiscal charges	-	-	1,464	1,464
AEA flow-through	200,966	-	-	200,966
	\$ 200,966	\$ 227,840	\$ 62,677	\$ 491,483
Total Expenditures	\$ 5,321,684	\$ 541,064	\$ 374,933	\$ 6,237,681
Excess (deficiency) of revenues over (under) expenditures	\$ -208,790	\$ 104,132	\$ 26,627	\$ -78,031
Other Financing Sources (Uses):				
Operating transfers in (out)	-	-62,677	62,677	-
Net change in fund balances	\$ -208,790	\$ 41,455	\$ 89,304	\$ -78,031
Fund balances beginning of year	1,072,153	572,405	327,299	1,971,857
Fund balances end of year	\$ 863,363	\$ 613,860	\$ 416,603	\$ 1,893,826

Rudd-Rockford-Marble Rock Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2014

Net change in fund balances – total governmental funds (page 18) \$ -78,031

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation/amortization expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 485,474	
Depreciation expense	-396,999	
Adjustment	-8	88,467

Proceeds from the issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments, are as follows:

Repaid		61,213
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

24

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	\$ 28,799	
Other postemployment benefits	-37,298	-8,499

Change in Net Position of Governmental Activities (page 15)		\$ 63,174
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Rudd-Rockford-Marble Rock Community School District

Statement of Net Position
Proprietary Funds

June 30, 2014

	School Nutrition
Assets	
Current Assets:	
Cash, cash equivalents and pooled investments	\$ 33,046
Accounts receivable	793
Prepaid expenses	1,850
Inventories	2,775
Total current assets	<u>\$ 38,464</u>
Non-Current Assets:	
Capital assets, net of accumulated depreciation	\$ 2,110
Total non-current assets	<u>\$ 2,110</u>
Total Assets	<u>\$ 40,574</u>
Liabilities	
Current Liabilities	
Due to other funds	\$ 67,251
Accounts payable	150
Salaries and benefits payable	19,631
Unearned revenue	3,225
Total current liabilities	<u>\$ 90,257</u>
Total Liabilities	<u>\$ 90,257</u>
Net Position	
Net investment in capital assets	\$ 2,110
Unrestricted	<u>-51,793</u>
Total Net Position	<u>\$ -49,683</u>

See notes to financial statements.

Rudd-Rockford-Marble Rock Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2014

	<u>School Nutrition Fund</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 140,891
Non-instructional programs:	
Food service operations:	
Salaries	\$ 86,815
Benefits	36,546
Purchased services	815
Supplies	132,210
Depreciation	1,128
Miscellaneous	292
Total operating expenses	<u>\$ 257,806</u>
Operating loss	<u>\$ -116,915</u>
Non-operating revenues:	
State sources	\$ 2,341
Federal sources	134,429
Interest	142
Total non-operating revenues	<u>\$ 136,912</u>
Change in net position	\$ 19,997
Net position beginning of year	<u>-69,680</u>
Net Position End of Year	<u>\$ -49,683</u>

See notes to financial statements.

Rudd-Rockford-Marble Rock Community School District

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2014

	School Nutrition Fund
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 140,295
Cash paid to employees for services	-127,662
Cash paid to suppliers for goods or services	-105,700
Net cash used by operating activities	<u>\$ -93,067</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,341
Federal grants received	107,372
Net cash provided by non-capital financing activities	<u>\$ 109,713</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 142</u>
Cash flows from other sources:	
Repaid inter-fund loan	<u>\$ -25,601</u>
Net decrease in cash and cash equivalents	\$ -8,813
Cash and cash equivalents beginning of year	<u>41,859</u>
Cash and Cash Equivalents End of Year	<u>\$ 33,046</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -116,915
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	27,488
Depreciation	1,128
(Increase) in prepaid expenses	-1,850
(Increase) in accounts receivable	-541
(Decrease) in due to other funds	-22
Increase in accounts payable	150
(Decrease) in salaries and benefits payable	-2,450
(Decrease) in unearned revenue	-55
Net Cash Used by Operating Activities	<u>\$ -93,067</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$27,488 of federal commodities.

See notes to financial statements.

Rudd-Rockford-Marble Rock Community School District

**Statement of Fiduciary Net Position
Fiduciary Funds**

Year Ended June 30, 2014

	Private Purpose Trust Scholarship
Assets	
Cash, cash equivalents and pooled investments	\$ 6,828
Total assets	\$ 6,828
Liabilities	
Accounts payable	\$ -
Net position	
Reserved for scholarships	\$ 6,828

Rudd-Rockford-Marble Rock Community School District

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds**

Year Ended June 30, 2014

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 4,775
Interest income	26
Total additions	<u>\$ 4,801</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	\$ 3,375
	<u>\$ 3,375</u>
Change in net position	\$ 1,426
Net position beginning of year	<u>5,402</u>
Net Position, End of Year	<u>\$ 6,828</u>

See notes to financial statements.

Rudd-Rockford-Marble Rock Community School District

Notes to the Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

Rudd-Rockford-Marble Rock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through twelve. The geographic area served includes the Cities of Rudd, Rockford and Marble Rock, Iowa and agricultural territories in Cerro Gordo, Floyd and Mitchell Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Rudd-Rockford-Marble Rock Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Rudd-Rockford-Marble Rock Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net 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 inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following 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 attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental, 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 non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

The District reports the following major proprietary fund:

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

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

75 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 Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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

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

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

Property tax revenue recognized in these funds 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 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

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

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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.

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

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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.

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

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

(2) Cash, Cash Equivalents 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.

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.

(3) Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects – Statewide Sales, Services and Use Tax	\$ 62,677

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Due From and Due To Other Funds

The detail of inter-fund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise – School Nutrition Fund	\$ 67,250
Special Revenue – Student Activity	General Fund	601
Capital Projects – Statewide Sales, Services and Use Tax	General Fund	5,276
Total		\$ 73,127

The General Fund has loaned the Enterprise – School Nutrition Fund in prior years to offset cash shortfalls. The General Fund owes the Student Activity for general fund expenses which were repaid in July 2014. The General Fund owes the Statewide Sales, Services and Use Tax for general fund expenses which were repaid in July 2014.

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Re- classified	Balance End Of Year
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 118,000	\$ -	\$ -	\$ -	\$ 118,000
Construction in process	77,437	12,180	77,437	-	12,180
Total capital assets not being depreciated	\$ 195,437	\$ 12,180	\$ 77,437	\$ -	\$ 130,180
Capital assets being depreciated:					
Buildings	\$ 4,544,271	\$ 214,461	\$ -	\$ -33,331	\$ 4,725,401
Improvements other than buildings	666,289	-	-	-55,009	611,280
Furniture and equipment	2,032,017	336,270	-	88,340	2,456,627
Total capital assets being depreciated	\$ 7,242,577	\$ 550,731	\$ -	\$ -	\$ 7,793,308
Less accumulated depreciation for:					
Buildings	\$ 1,963,839	\$ 103,374	\$ -	\$ -11,957	\$ 2,055,256
Improvements other than buildings	287,371	23,958	-	-46,075	265,254
Furniture and equipment	1,349,712	269,667	-	58,040	1,677,419
Total accumulated depreciation	\$ 3,600,922	\$ 396,999	\$ -	\$ 8	\$ 3,997,929
Total capital assets being depreciated, net	\$ 3,641,655	\$ 153,732	\$ -	\$ -8	\$ 3,795,379
Governmental Activities Capital Assets, Net	\$ 3,837,092	\$ 165,912	\$ 77,437	\$ -8	\$ 3,925,559

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 13,537	\$ -	\$ -	\$ 13,537
Less accumulated depreciation	10,299	1,128	-	11,427
Business Type Activities Capital Assets, Net	\$ 3,238	\$ -1,128	\$ -	\$ 2,110

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 323,945
Other	5,747

Support services:

Administration	460
Operation and maintenance of plant services	11,966
Transportation	54,881

Total Depreciation Expense – Governmental Activities \$ 396,999

Business Type Activities:

Food service operations	<u>\$ 1,128</u>
-------------------------	-----------------

(6) Long-term Liabilities

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Computer lease payable	\$ 92,257	\$ -	\$ 61,213	\$ 31,044	\$ 31,044
Net OPEB liability	72,522	37,298	-	109,820	-
Early retirement	46,715	-	28,799	17,916	9,449
Total	\$ 211,494	\$ 37,298	\$ 90,012	\$ 158,780	\$ 40,493

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application, which must be approved by the Board of Education. The early retirement incentive for each eligible employee is \$22,000 maximum based on years of service, plus one year of single health insurance premiums. A liability has been recorded on the Statement of Net Position (Exhibit A) representing the District's commitment to fund early retirement.

Capital Lease Payable

During the year ended June 30, 2011, the District entered into a \$242,604 lease agreement to provide funds for the purchase of laptop computers. The interest is 1.9% annually and are payable from the Capital Projects – Statewide Sales, Services and Use Tax Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2014 are as follows:

Year Ending June 30,	Lease Payable of June 15, 2011		
	Principal	Interest	Total
2015	\$ 31,044	\$ 295	\$ 31,339
Total	\$ 31,044	\$ 295	\$ 31,339

During the year ended June 30, 2014, the District made a principal payment of \$61,213 as per the agreement.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, 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 covered payroll for the years ended June 30, 2014, 2013 and 2012. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$275,806, \$262,595 and \$235,942, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 64 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2014; the amount actually contributed to the plan and changes in the District’s net OPEB obligations:

Annual required contribution	\$	50,600
Interest on net OPEB obligation		1,813
Adjustment to annual required contribution		-7,342
Annual OPEB cost	\$	45,071
Contributions made		-7,773
Increase in net OPEB obligation	\$	37,298
Net OPEB obligation beginning of year		72,522
Net OPEB obligation end of year	\$	109,820

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$517,600 to the medical plan. Plan members eligible for benefits contributed \$38,799, or 7.0% of the premium costs.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$31,017	23.0%	\$23,869
June 30, 2011	\$31,271	24.1%	\$47,619
June 30, 2012	\$33,877	22.3%	\$73,937
June 30, 2013	\$50,603	21.9%	\$72,522
June 30, 2014	\$50,600	15.4%	\$109,820

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$178,086, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$178,086. The covered payroll (annual payroll of active employees covered by the plan) was \$2,494,239 and the ratio of the UAAL to covered payroll was 7.1%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$465.12 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

Rudd-Rockford-Marble Rock 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.

(10) 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 \$200,966 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.

(11) Categorical Funding

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

Program	Amount
Gifted and Talented Programs	\$ 21,009
Dropout Prevention	16,140
Market Factor	4,237
Core Curriculum	5,887
Professional Development	3,621
Early Readers	12,404
Teacher Leadership	1,560
Microsoft	2,095
Total	<u>\$ 66,953</u>

(12) Subsequent Events

The District has evaluated subsequent events through March 12, 2015 which is the date that the financial statements were available to be issued.

(13) Construction Commitment

The District entered into a contract for \$61,105 for a card access system. At June 30, 2014, \$12,180 was in construction in process with the balance of \$48,925 to be paid as work on the project is completed.

(14) Deficit Balances

At June 30, 2014 the Enterprise Fund – School Nutrition Fund had a \$49,683 deficit balance.

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Required Supplementary Information

Rudd-Rockford-Marble Rock Community School District

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year Ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 3,476,830	\$ 141,033
Intermediate sources	-	-
State sources	2,470,812	2,341
Federal sources	212,008	134,429
Total Receipts	<u>\$ 6,159,650</u>	<u>\$ 277,803</u>
Disbursements:		
Instruction	\$ 3,917,758	\$ -
Support services	1,821,486	-
Non-instructional programs	6,954	257,806
Other expenditures	491,483	-
Total Disbursements	<u>\$ 6,237,681</u>	<u>\$ 257,806</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ -78,031	\$ 19,997
Balances beginning of year	<u>1,971,857</u>	<u>-69,680</u>
Balances End of Year	<u>\$ 1,893,826</u>	<u>\$ -49,683</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amount	Final to Actual Variance
\$	3,617,863	\$ 3,439,684	\$ 178,179
	-	-	-
	2,473,153	2,356,316	116,837
	346,437	311,668	34,769
\$	<u>6,437,453</u>	<u>\$ 6,107,668</u>	<u>\$ 329,785</u>
\$	3,917,758	\$ 3,950,000	\$ 32,242
	1,821,486	1,852,500	31,014
	264,760	343,500	78,740
	491,483	582,017	90,534
\$	<u>6,495,487</u>	<u>\$ 6,728,017</u>	<u>\$ 232,530</u>
\$	-58,034	\$ -620,349	\$ 562,315
	1,902,177	1,814,484	87,693
\$	<u>1,844,143</u>	<u>\$ 1,194,135</u>	<u>\$ 650,008</u>

Rudd-Rockford-Marble Rock 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.

Rudd-Rockford-Marble Rock Community School District

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

Required Supplementary Information

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	July 1, 2009	\$-	\$238	\$238	0.0%	\$2,713	8.8%
2011	July 1, 2009	\$-	\$226	\$226	0.0%	\$3,019	7.5%
2012	July 1, 2009	\$-	\$226	\$226	0.0%	\$3,037	7.4%
2013	July 1, 2012	\$-	\$200	\$200	0.0%	\$2,455	8.1%
2014	July 1, 2012	\$-	\$178	\$178	0.0%	\$2,494	7.1%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Rudd-Rockford-Marble Rock Community School District

Combining Balance Sheet
Non-Major Governmental Funds

June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 372,813	\$ 39,999	\$ 412,812
Receivables:			
Property Tax:			
Delinquent	2,766	-	2,766
Succeeding year	150,000	-	150,000
Due from other funds	-	601	601
Prepaid expenses	1,833	-	1,833
Total Assets	\$ 527,412	\$ 40,600	\$ 568,012
Liabilities, Deferred Inflows of Resource and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 1,409	\$ 1,409
Total liabilities	\$ -	\$ 1,409	\$ 1,409
Deferred inflows of resources:			
Succeeding year property tax	\$ 150,000	\$ -	\$ 150,000
Total deferred inflows of resources	\$ 150,000	\$ -	\$ 150,000
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 377,412	\$ -	\$ 377,412
Student activities	-	39,191	39,191
Total fund balances	\$ 377,412	\$ 39,191	\$ 416,603
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 527,412	\$ 40,600	\$ 568,012

Rudd-Rockford-Marble Rock Community School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds**

Year Ended June 30, 2014

	Special Revenue			
	Debt Service	Management Levy	Student Activity	Total
Revenues:				
Local Sources:				
Local tax	\$ -	\$ 200,126	\$ -	\$ 200,126
Other	-	4,264	197,070	201,334
State sources	-	100	-	100
Total Revenues	\$ -	\$ 204,490	\$ 197,070	\$ 401,560
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ -	\$ 28,829	\$ -	\$ 28,829
Other instruction	-	-	207,321	207,321
Support Services:				
Student support services	-	337	-	337
Instructional staff services	-	133	-	133
Administration services	-	3,319	-	3,319
Operation and maintenance of plant services	-	46,703	-	46,703
Transportation services	-	20,109	-	20,109
Non-instructional programs	-	5,505	-	5,505
Other Expenditures:				
Long-term debt:				
Principal	61,214	-	-	61,214
Interest and fiscal charges	1,463	-	-	1,463
Total Expenditures	\$ 62,677	\$ 104,935	\$ 207,321	\$ 374,933
Excess (deficiency) of revenues over (under) expenditures	\$ -62,677	\$ 99,555	\$ -10,251	\$ 26,627
Other financing sources (uses):				
Operating transfer in	62,677	-	-	62,677
Change in fund balances	\$ -	\$ 99,555	\$ -10,251	\$ 89,304
Fund balances beginning of year	-	277,857	49,442	327,299
Fund Balances End of Year	\$ -	\$ 377,412	\$ 39,191	\$ 416,603

See accompanying independent auditor's report.

Rudd-Rockford-Marble Rock Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 392,095	\$ 174,958	\$ 567,053
Receivables:			
Property Tax:			
Delinquent	-	2,782	2,782
Succeeding year	-	208,839	208,839
Accounts	151,350	-	151,350
Due from other funds	5,276	-	5,276
Total assets	\$ 548,721	\$ 386,579	\$ 935,300
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts Payable	\$ 107,704	\$ 4,897	\$ 112,601
Total liabilities	\$ 107,704	\$ 4,897	\$ 112,601
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 208,839	\$ 208,839
Total deferred inflows of resources	\$ -	\$ 208,839	\$ 208,839
Fund Balances:			
Restricted for:			
School infrastructure	\$ 441,017	\$ -	\$ 441,017
Physical plant and equipment	-	172,843	172,843
Total fund balances	\$ 441,017	\$ 172,843	\$ 613,860
Total liabilities, deferred inflows of resources and fund balances	\$ 548,721	\$ 386,579	\$ 935,300

Rudd-Rockford-Marble Rock Community School District

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

Year Ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local Sources:			
Local tax	\$ 414,425	\$ 201,204	\$ 615,629
Other	7,004	20,847	27,851
State sources	-	1,716	1,716
Total Revenues	\$ 421,429	\$ 223,767	\$ 645,196
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 97,683	\$ -	\$ 97,683
Support services:			
Instructional staff services	15,951	21,965	37,916
Administrative services	-	18,953	18,953
Operation and maintenance of plant services	45,660	3,228	48,888
Transportation services	-	108,335	108,335
Non-instruction	1,449	-	1,449
Other Expenditures:			
Facilities acquisition	218,613	9,227	227,840
Total Expenditures	\$ 379,356	\$ 161,708	\$ 541,064
Excess (deficiency) of revenues over (under) expenditures	\$ 42,073	\$ 62,059	\$ 104,132
Other Financing Sources (Uses):			
Operating transfers in (out)	-62,677	-	-62,677
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -20,604	\$ 62,059	\$ 41,455
Fund balances beginning of year	461,621	\$ 110,784	572,405
Fund Balances End of Year	\$ 441,017	\$ 172,843	\$ 613,860

See accompanying independent auditor's report.

Rudd-Rockford-Marble Rock Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2014

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Inter-fund Transfers	Balance End of Year
Athletics	\$ 9,605	\$ 86,731	\$ 102,820	\$ 9,697	\$ 3,213
Cheerleaders	632	5,319	4,245	129	1,835
Concessions	7,570	26,836	19,184	-14,292	930
Drama	2,262	1,161	1,957	-	1,466
FFA	4,561	38,343	38,157	257	5,004
MS Student Council	602	666	1,271	1,417	1,414
Instrumental Music	3,024	1,447	4,234	910	1,147
Vocal Music	2,377	4,516	3,311	-910	2,672
Annual	2,010	3,691	7,592	1,891	-
Spanish Club	2,865	744	678	901	3,832
Speech	123	-	50	-	73
Student Council	3,111	6,988	5,569	-1,644	2,886
UN Model Group	1,429	-	-	644	2,073
RRMR Elementary	5,194	3,678	4,094	-	4,778
Coca Cola	1,750	4,295	3,396	-384	2,265
Class of 2013	247	-	-	-247	-
Class of 2012	317	-	-	-	317
Interest	472	198	-	-	670
Fitness Center	848	6,361	4,133	-	3,076
Class of 2014	443	794	1,679	859	417
Scholarship	-	750	750	-	-
Class of 2015	-	4,552	4,201	772	1,123
Total	\$ 49,442	\$ 197,070	\$ 207,321	\$ -	\$ 39,191

Rudd-Rockford-Marble Rock Community School District

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

For the Last Ten Years

	Modified Accrual Basis			
	2014	2013	2012	2011
Revenues:				
Local Sources:				
Local tax	\$ 2,782,753	\$ 2,987,714	\$ 2,903,686	\$ 2,775,235
Tuition	308,546	270,060	236,015	243,758
Other	385,531	399,399	305,021	315,167
State sources	2,470,812	2,363,443	2,407,039	2,375,450
Federal sources	212,008	232,719	303,431	287,833
Total	\$ 6,159,650	\$ 6,253,335	\$ 6,155,192	\$ 5,997,443
Expenditures:				
Instruction:				
Regular instruction	\$ 2,201,230	\$ 2,164,099	\$ 3,667,736	\$ 3,908,974
Special instruction	775,033	700,711	*	*
Other instruction	941,495	977,484	*	*
Support services:				
Student services	112,164	111,116	108,356	136,175
Instructional staff services	129,820	160,665	143,462	299,433
Administrative services	584,492	559,387	533,571	501,436
Operation and maintenance of plant services	565,025	488,099	481,793	485,975
Transportation services	429,985	330,175	361,978	299,210
Non-instructional programs:				
Food service operations	6,954	9,241	31,435	5,006
Other expenditures:				
Facilities acquisition	227,840	211,632	157,787	366,247
Long-term debt:				
Principal	61,213	60,067	58,942	31,338
Interest and other charges	1,464	2,610	3,735	-
AEA flow-through	200,966	192,227	200,942	227,040
Total	\$ 6,237,681	\$ 5,967,513	\$ 5,749,737	\$ 6,332,934

*Previous auditor did not spread instruction between regular, special and other

Modified Accrual Basis						
2010	2009	2008	2007	2006	2005	
\$ 2,665,071	\$ 2,870,348	\$ 2,750,551	\$ 2,649,376	\$ 2,636,078	\$ 2,410,875	
252,188	263,290	238,103	207,598	238,498	178,418	
234,607	281,285	251,512	316,913	251,313	286,870	
2,077,725	2,645,281	2,645,669	2,543,700	2,487,298	2,334,828	
529,451	230,372	167,153	135,175	185,502	196,754	
<u>\$ 5,759,042</u>	<u>\$ 6,290,576</u>	<u>\$ 6,052,988</u>	<u>\$ 5,852,762</u>	<u>\$ 5,798,689</u>	<u>\$ 5,407,745</u>	
\$ 3,479,085	\$ 3,607,362	\$ 3,436,345	\$ 3,304,648	\$ 3,028,522	\$ 3,247,723	
*	*	*	*	*	*	
*	*	*	*	*	*	
136,490	112,968	119,401	99,197	86,600	90,844	
114,758	73,190	74,672	80,463	195,219	143,062	
531,490	546,938	530,187	526,839	508,269	517,660	
559,486	559,892	593,982	551,888	1,034,912	646,200	
311,005	338,502	363,342	333,745	284,054	228,650	
-	2,304	4,608	-	-	-	
490,573	206,473	752,596	145,942	162,708	133,392	
-	240,000	225,000	210,000	205,000	195,000	
-	12,400	23,425	33,505	43,243	52,408	
226,325	199,780	196,283	185,689	180,412	180,303	
<u>\$ 5,849,212</u>	<u>\$ 5,899,809</u>	<u>\$ 6,319,841</u>	<u>\$ 5,471,916</u>	<u>\$ 5,728,939</u>	<u>\$ 5,435,242</u>	

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

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

To the Board of Education of
Rudd-Rockford-Marble Rock Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Rudd-Rockford-Marble Rock Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 12, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Rudd-Rockford-Marble Rock Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Rudd-Rockford-Marble Rock Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Rudd-Rockford-Marble Rock Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

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 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. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-14 through I-D-14 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-E-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rudd-Rockford-Marble Rock Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

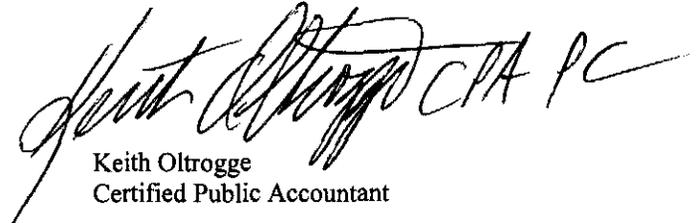
Rudd-Rockford-Marble Rock Community School District's Responses to the Findings

Rudd-Rockford-Marble Rock Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Rudd-Rockford-Marble Rock Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

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

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Rudd-Rockford-Marble Rock Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

March 12, 2015

Rudd-Rockford-Marble Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

- I-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the cash receipts listing, bank deposits, and the posting of the cash receipts to the cash receipts journal were all done by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person.

Recommendation – With the limited number of personnel involved in accounting for District activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstance, the most effective controls lie in (1) the administration's and the board's knowledge of the District's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions. I believe these controls are being effectively utilized in the District and recommend that diligent efforts be made to maintain their effectiveness.

Response – We will work on segregating duties whenever possible.

Conclusion – Response accepted.

- I-B-14 Disbursement Approval – For 9 of 24 general fund, 5 of 16 student activity fund, 7 of 9 capital project fund and 5 of 5 nutrition fund disbursements tested, there was no evidence to document the date the Superintendent approved the expenditures.

Recommendation – The District should ensure all expenditures are properly approved. The District should maintain documentation of the Superintendent's approval of claims for payment, such as the Superintendent's initials and date of approval.

Response – We will ensure all expenditures are properly approved and maintained documentation of the approval.

Conclusion – Response acknowledged.

Rudd-Rockford-Marble Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

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

INTERNAL CONTROL DEFICIENCIES:

I-C-14 School Nutrition Fund Accounts – I noted the Enterprise, School Nutrition Fund expense classifications as required by the Iowa Department of Education were not accurately recorded in the general ledger. The District records food costs in one account and then allocates them at year end.

Recommendation – The District should record expenses for food in the correct accounts as the purchases are made.

Response – We are implementing changes in procedures for fiscal year 2015 which will correct this problem.

Conclusion – Response accepted.

I-D-14 Dual Signatures – Checks written from the Activity Fund only had one signature. The checks are signed by the same person who writes them.

Recommendation – Checks should be signed by two people. The protection that comes from having two individuals responsible for signing checks is worth the extra effort involved.

Response – We will authorize several board members to sign checks.

Conclusions – Response acknowledged.

I-E-14 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosures is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small Districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Rudd-Rockford-Marble Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II - Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget – Expenditures for the year ended June 30, 2014 did not exceed the certified budget amounts in any of the four functions. The District did not exceed its unspent authorized budget.

II-B-14 Questionable Expenditures – Certain disbursements were noted I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
Mastercard	Supplies/Travel/Fees	\$3,482.78
Dugan’s Market	Meat tray	\$40.00
Employee	Gift Cards	\$30.00

Recommendation – The District should review Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1) for the allowability of expenditures. When the District purchases items as gifts and food for teacher appreciation, these purchases would be more appropriate from the General Fund as long as public purpose is documented and the items are de minimis according to Internal Revenue Service Publication 15-B. Additionally, the Board of Directors should approve the purchase of such items prior to the expenditure and document the public purpose derived.

Gift cards are not appropriate district purchases since Iowa Code Section 279.29 requires districts to “audit and allow” all bills and the gift card does not provide the Board with the ability to perform the required function of approval of the final purchase. Also, some of the gift cards are for restaurants or establishments which may have items which are not an allowable purchase with public funds. Without knowing the ultimate purchase, we do not believe that the District can comply with Chapter 279.29.

Response – Beginning in fiscal 2015, the District will not make any purchases for gifts, teacher appreciation supplies or other items that are not appropriate.

Conclusion – Response acknowledged.

II-C-14 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-14 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title & Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Staudt Photography – Owner, Spouse of Mike Staudt, Board Member	Services	\$140

In accordance with an Attorney General’s opinion date November 9, 1976, the above transactions do not appear to represent conflicts of interest.

II-E-14 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

Rudd-Rockford-Marble Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

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

II-F-14 Board Minutes – Certain minutes were not published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – Procedures have been revised to ensure minutes are published as required.

Conclusion – Response accepted.

Depository Resolution – I noted on the September 16, 2013 board minutes the District named First Security Bank & Trust as an official depository of the District without approving a maximum amount to be kept at the bank.

According to Chapter 12C.2 of the Code of Iowa, “the approval of a financial institution as a depository of public funds for a public body shall be by written resolution or order that shall be entered of record in the minutes of the approving board, and that shall distinctly name each depository approved, and specify the maximum amount that may be kept on deposit in each depository.

Recommendation – The District should review Chapter 12C.2 of the Code of Iowa. Each financial institution that holds District deposits should be approved with a maximum depository amount by the Board of Directors and noted in the board minutes annually to be in compliance with Chapter 12C.2 of the Code of Iowa..

Response – In the future, the maximum amount will be stated in the depository resolution.

Conclusion – Response accepted.

Board Approval – I noted 2 of 24 general fund and 1 of 9 capital project fund transactions requiring Board approval which were not approved by the Board.

Recommendation – The District should ensure the Board approves all disbursements before they are made.

Response – The District will increase monitoring of disbursements and approval by the Board.

Conclusion – Response accepted.

II-G-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

II-H-14 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

II-I-14 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

Rudd-Rockford-Marble Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

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

II-J-14 Supplementary Weighting – Variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

Recommendation – A letter must be sent to the Department of Management to report this discrepancy.

Response – This has been done.

Conclusion – Response accepted.

II-K-14 Deficit Balances – I noted that the District’s School Nutrition Fund had a deficit fund balance of \$49,683 at June 30, 2014.

Recommendation – I recommend that the District investigate alternatives to return this fund to a sound financial position.

Response – We will investigate alternatives as recommended. The deficit was decreased by \$19,997 in fiscal year 2014.

Conclusion – Response accepted.

II-L-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Rudd-Rockford-Marble Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

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

II-M-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. 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 reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	461,621
Revenues/transfers in:			
Sales tax revenues	\$	311,202	
Other local revenues		7,004	
School infrastructure supplemental amount		103,223	421,429
		<u>\$</u>	<u>883,050</u>
Expenditures/transfers out:			
School infrastructure construction	\$	218,613	
Equipment		144,792	
Other		15,951	
Transfers to other funds:			
Debt service fund		62,677	442,033
		<u>\$</u>	<u>441,017</u>

For the year ended June 30, 2014, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.15006	\$ 414,424
Physical plant and equipment levy	-	124,875
Public educational and recreational levy	-	-

Rudd-Rockford-Marble Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

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

II-N-14 Student Activity Class Accounts – I noted during my audit that the Class of 2012 account in the Student Activity Fund had a balance at year end.

Recommendation – Upon graduation, the remaining balances in old class accounts should be redistributed to other individual activity fund accounts or used as start-up funds for the next incoming class.

Response – The old class account will be closed and the remaining balances will be allocated among other activity accounts.

Conclusion – Response accepted.

II-O-14 Enterprise Fund, School Nutrition – I noted in my testing of expenditures for the Enterprise Fund, School Nutrition that the District records all expenditures into one general ledger account for food purchases of student lunches.

Recommendation – The Iowa Department of Education requires any school district operating as a school authority to utilize the uniform chart of accounts in Iowa to record and track meal revenues and expenses. The District should record all meal account deposits to an unearned revenue account, then periodically allocate the earned portion of meal deposits to the proper accounts, including student lunches, student breakfasts, ala carte and adult lunches and breakfasts. Matching expenses also need to be recorded. This would allow the District to better track meal revenues and expenses and protect the underlying assets. It would also bring the District into compliance with Iowa Department of Education guidelines.

Response – We will properly adjust our expense recognition and coding in the School Nutrition Fund to comply with the Iowa Department of Education requirements.

Conclusion – Response accepted.