

Rudd-Rockford-Marble Rock Community School District

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

June 30, 2015

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Rudd-Rockford-Marble Rock Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Angie Johnson	President	2015
Tim Trettin	Vice President	2015
Harm Eggena III	Board Member	2017
Wendy Fullerton	Board Member	2015
Mike Staudt	Board Member	2017
School Officials		
Keith Turner	Superintendent	2015
Angie DeBuhr	District Secretary	2015
Mike Kalvig	Business Manager	2015

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, 2015, and the related Notes to 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, 2015, 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, Rudd-Rockford-Marble Rock Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. My opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 38 through 43 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.

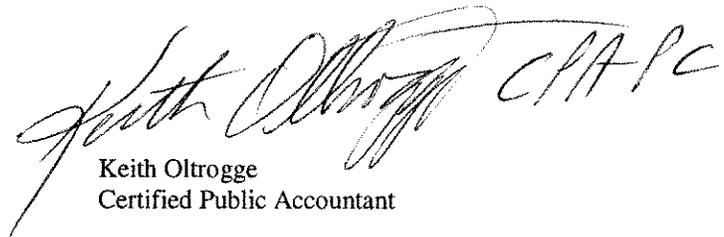
Supplementary Information

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 two years ended June 30, 2014, a different accounting firm audited the financial statement for the seven 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 26, 2016 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 26, 2016

Rudd-Rockford-Marble Rock Community School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,112,894 in fiscal 2014 to \$5,070,051 in fiscal 2015, while General Fund expenditures decreased from \$5,321,684 in fiscal 2014 to \$5,220,161 in fiscal 2015. The District's General Fund balance decreased from \$863,363 in fiscal 2014 to \$713,253 in fiscal 2015, a 17.4% decrease.
- The decrease in General Fund revenues was attributable to a decrease in state revenues in fiscal year 2015. The decrease in expenditures was due primarily to a decrease in instruction and support services costs.
- The District's solvency ratio has decreased from 15.0% at June 30, 2014 to 11.7% at June 30, 2015. 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, the District's proportionate share of the net pension liability and related contributions, 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

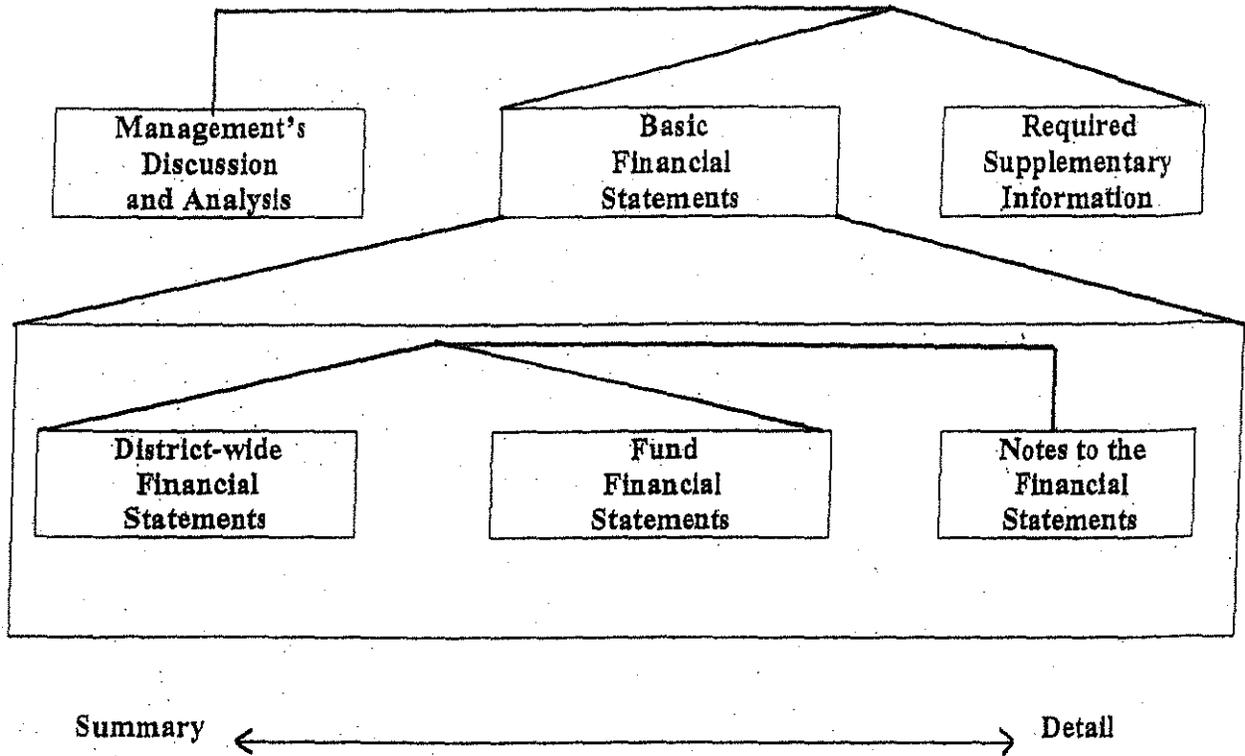


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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 deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period

Figure A-2
Major Features of the Government-wide and Fund Financial Statements (continued):

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
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 is 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 Fund, 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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

**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,
	2015	2014	2015	2014	2015	2014	2014-2015
		(Not restated)		(Not restated)		(Not restated)	
Current and other assets	\$4,998,535	\$5,059,981	\$41,667	\$38,464	\$5,040,202	\$5,098,445	-1.2%
Capital assets	3,941,562	3,925,559	982	2,110	3,942,544	3,927,669	0.4%
Total assets	\$8,940,097	\$8,985,540	\$42,649	\$40,574	\$8,982,746	\$9,026,114	-0.5%
Deferred outflows of resources	\$525,254	\$-	\$13,726	\$-	\$538,980	\$-	100%
Long-term liabilities	\$2,064,208	\$158,780	\$47,670	\$-	\$2,111,878	\$158,780	1,230%
Other liabilities	762,017	856,829	25,684	23,006	787,701	879,835	-10.5%
Total liabilities	\$2,826,225	\$1,015,609	\$73,354	\$23,006	\$2,899,579	\$1,038,615	179.2%
Deferred inflows of resources	\$3,127,290	\$2,376,589	\$18,180	\$-	\$3,145,470	\$2,376,589	32.4%
Net position:							
Net investment in capital assets	\$3,856,878	\$3,894,515	\$982	\$2,110	\$3,857,860	\$3,896,625	-1.0%
Restricted	1,235,168	1,079,500	-	-	1,235,168	1,079,500	14.4%
Unrestricted	-1,529,207	686,578	-87,114	-51,793	-1,616,351	634,785	-354.6%
Total net position	\$3,562,839	\$5,660,593	-\$86,162	-\$49,683	\$3,476,677	\$5,610,910	-38.1%

The District's total net position decreased by nearly 38.1%, or \$2,134,233, from the prior year. The largest portion of the District's net position is in 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 \$155,668, or 14.4% over the prior year.

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 \$2,251,136, or 354.6%. This reduction in unrestricted net position was primarily a result of the District’s net pension liability and net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,315,187 and \$60,499, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Revenues:							
Program revenues:							
Charges for service	\$612,929	\$616,114	\$152,598	\$140,891	\$765,527	\$757,005	1.1%
Operating grants, contributions and restricted interest	869,560	876,816	147,511	136,770	1,017,071	1,013,586	0.3%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	2,360,802	2,368,328	-	-	2,360,802	2,368,328	-0.4%
Statewide sales, services and use tax	429,719	414,425	-	-	429,719	414,425	3.6%
Unrestricted state grants	1,738,774	1,806,004	-	-	1,738,774	1,806,004	-3.8%
Unrestricted investment earnings	6,195	6,662	103	142	6,298	6,804	-7.5%
Other	38,955	71,301	-	-	38,955	71,301	-45.4%
Total revenues	\$6,056,934	\$6,159,650	\$300,212	\$277,803	\$6,357,146	\$6,437,453	-1.3%
Program expenses:							
Governmental activities:							
Instruction	\$3,871,749	\$4,144,007	\$-	\$-	\$3,871,749	\$4,144,007	-6.6%
Support services	1,740,587	1,738,147	1,856	-	1,742,443	1,738,147	0.2%
Non-instructional programs	4,589	9,085	274,336	257,806	278,925	266,891	4.5%
Other expenses	222,576	205,237	-	-	222,576	205,237	8.4%
Total expenses	\$5,839,501	\$6,096,476	\$276,192	\$257,806	\$6,115,693	\$6,354,282	-3.8%
Change in net position	\$217,433	\$63,174	\$24,020	\$19,997	\$241,453	\$83,171	190.3%
Net position, beginning of year, as restated	\$3,345,406	\$5,597,419	-\$110,182	-\$69,680	\$3,235,224	\$5,527,739	41.5%
Net position, end of year	\$3,562,839	\$5,660,593	-\$86,162	\$49,683	\$3,476,677	\$5,610,910	-38.1%

In fiscal year 2015, property tax and unrestricted state grants account for 64.4% 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 3.8% decrease in expenses. Property tax decreased \$7,526.

Governmental Activities

Revenues for governmental activities were \$6,056,934 and expenses were \$5,839,501 for the year ended June 30, 2015. 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, 2015 compared to the year ended June 30, 2014.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014	Change 2014-2015	2015	2014	Change 2014-2015
		(Not restated)			(Not restated)	
Instruction	\$3,871,749	\$4,144,007	-6.6%	\$2,409,883	\$2,668,700	-9.7%
Support services	1,740,587	1,738,147	0.1%	1,719,964	1,720,524	-0.1%
Non-instructional programs	4,589	9,085	-49.5%	4,589	9,085	-49.5%
Other expenses	222,576	205,237	8.4%	222,576	205,237	8.4%
Totals	\$5,839,501	\$6,096,476	-4.3%	\$4,357,012	\$4,603,546	-5.4%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$765,527.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,017,071.
- The net cost of governmental activities was financed with \$2,790,521 in property and other taxes and \$1,738,774 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$300,212 and expenses were \$276,192. 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 combined fund balances of \$3,562,839, well above last year's adjusted ending fund balances of \$3,345,406.

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.
- The General Fund balance decreased from \$863,363 to \$713,253, due in part to the decrease in state revenue.
- The Capital Projects Fund balance increased from \$613,860 to \$659,740 due in part to the revenues exceeding expenditures.

Proprietary Fund Highlights

- School Nutrition Fund adjusted net position increased from -\$110,182 at June 30, 2014 to -\$86,162 at June 30, 2015, representing an increase of 27.9%.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$178,779 more than total budgeted revenues, a variance of 2.9%. The most significant variance resulted from the District receiving more in state 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, 2015, the District had invested \$3,942,544, 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 0.4% 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 \$425,862.

The original cost of the District's capital assets was \$8,377,762. Governmental funds account for \$8,364,225, with the remainder of \$13,537 accounted 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,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$118,000	\$118,000	\$-	\$-	\$118,000	\$118,000	-
Construction in process	-	12,180	-	-	-	12,180	-100%
Buildings	2,741,877	2,670,145	-	-	2,741,877	2,670,145	2.7%
Improvements other than buildings	335,444	346,026	-	-	335,444	346,026	-3.1%
Furniture and equipment	746,241	779,208	982	2,110	747,223	781,318	-4.4%
Totals	\$3,941,562	\$3,925,559	\$982	\$2,110	\$3,942,544	\$3,927,669	0.4%

Long-Term Debt

At June 30, 2015, the District had \$84,684 in other long-term debt outstanding. This represents an increase of 172.8% 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 \$21.2 million.

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

	Total District June 30, 2015	Total Change June 30, 2014 2014-2015
Capital lease payable	\$84,684	\$31,044 172.0%

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 which 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 Brittany McNeil, 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, 2015

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash, Cash Equivalents and Pooled Investments	\$ 2,363,040	\$ 30,149	\$ 2,393,189
Receivables:			
Property tax:			
Delinquent	33,315	-	33,315
Succeeding year	2,431,587	-	2,431,587
Accounts	79,636	229	79,865
Due from other governments	90,957	8,515	99,472
Inventories	-	2,774	2,774
Capital assets, net of accumulated depreciation/amortization	3,941,562	982	3,942,544
Total Assets	\$ 8,940,097	\$ 42,649	\$ 8,982,746
Deferred Outflows of Resources			
Pension related deferred outflows	\$ 525,254	\$ 13,726	\$ 538,980
Liabilities			
Accounts payable	\$ 158,038	\$ 1,070	\$ 159,108
Salaries and benefits payable	585,697	21,361	607,058
Advances from grantors	18,282	-	18,282
Unearned revenue	-	3,253	3,253
Long-term liabilities:			
Portion due within one year:			
Capital lease	20,324	-	20,324
Early retirement	8,467	-	8,467
Portion due after one year:			
Capital lease	64,360	-	64,360
Net pension liability	1,824,215	47,670	1,871,885
Net OPEB liability	146,842	-	146,842
Total Liabilities	\$ 2,826,225	\$ 73,354	\$ 2,899,579
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 2,431,587	\$ -	\$ 2,431,587
Pension related deferred inflows	695,703	18,180	713,883
Total Deferred Inflows of Resources	\$ 3,127,290	\$ 18,180	\$ 3,145,470
Net Position			
Net investment in capital assets	\$ 3,856,878	\$ 982	\$ 3,857,860
Restricted for:			
Categorical funding	100,954	-	100,954
School infrastructure	441,420	-	441,420
Management levy purposes	420,492	-	420,492
Physical plant and equipment	53,982	-	53,982
Student activities	218,320	-	218,320
Unrestricted	-1,529,207	-87,144	-1,616,351
Total Net Position	\$ 3,562,839	\$ -86,162	\$ 3,476,677

See notes to financial statements.

Rudd-Rockford-Marble Rock Community School District

Statement of Activities

Year Ended June 30, 2015

	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,413,175	\$ 378,244	\$ 652,262	\$ -
Special instruction	636,263	27,200	146,375	-
Other instruction	822,311	190,230	67,555	-
	<u>\$ 3,871,749</u>	<u>\$ 595,674</u>	<u>\$ 866,192</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 81,680	\$ -	\$ 2,270	\$ -
Instructional staff services	234,769	-	-	-
Administration services	579,573	-	-	-
Operation and maintenance of plant services	511,171	7,855	-	-
Transportation services	333,394	9,400	1,098	-
	<u>\$ 1,740,587</u>	<u>\$ 17,255</u>	<u>\$ 3,368</u>	<u>\$ -</u>
Non-instructional programs	\$ 4,589	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ 21,423	\$ -	\$ -	\$ -
Long-term debt interest	282	-	-	-
AEA flow-through	200,871	-	-	-
	<u>\$ 222,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 5,839,501</u>	<u>\$ 612,929</u>	<u>\$ 869,560</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 274,336	\$ 152,598	\$ 147,511	\$ -
Support Services:				
Food service operations	1,856	-	-	-
Total Business Type Activities	<u>\$ 276,192</u>	<u>\$ 152,598</u>	<u>\$ 147,511</u>	<u>\$ -</u>
Total	<u>\$ 6,115,693</u>	<u>\$ 765,527</u>	<u>\$ 1,017,071</u>	<u>\$ -</u>

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ -1,382,669	\$ -	\$ -1,382,669
-462,688	-	-462,688
-564,526	-	-564,526
<u>\$ -2,409,883</u>	<u>\$ -</u>	<u>\$ -2,409,883</u>
\$ -79,410	\$ -	\$ -79,410
-234,769	-	-234,769
-579,573	-	-579,573
-503,316	-	-503,316
-322,896	-	-322,896
<u>\$ -1,719,964</u>	<u>\$ -</u>	<u>\$ -1,719,964</u>
\$ -4,589	\$ -	\$ -4,589
\$ -21,423	\$ -	\$ -21,423
-282	-	-282
-200,871	-	-200,871
<u>\$ -222,576</u>	<u>\$ -</u>	<u>\$ -222,576</u>
\$ -4,357,012	\$ -	\$ -4,357,012
\$ -	\$ 25,773	\$ 25,773
-	-1,856	-1,856
\$ -	\$ 23,917	\$ 23,917
<u>\$ -4,357,012</u>	<u>\$ 23,917</u>	<u>\$ -4,333,095</u>

Rudd-Rockford-Marble Rock Community School District

Statement of Activities

Year Ended June 30, 2015

	<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, as restated

Net Position End of Year

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 2,153,451	\$ -	\$ 2,153,451
207,351	-	207,351
429,719	-	429,719
1,738,774	-	1,738,774
6,195	103	6,298
38,955	-	38,955
<u>\$ 4,574,445</u>	<u>\$ 103</u>	<u>\$ 4,574,548</u>
\$ 217,433	\$ 24,020	\$ 241,453
3,345,406	-110,182	3,235,224
<u>\$ 3,562,839</u>	<u>\$ -86,162</u>	<u>\$ 3,476,677</u>

Rudd-Rockford-Marble Rock Community School District

Balance Sheet
Governmental Funds

June 30, 2015

Assets	General	Capital Projects	Non-Major Funds	Total
Cash, cash equivalents and pooled investments	\$ 1,274,220	\$ 605,563	\$ 483,257	\$ 2,363,040
Receivables:				
Property Tax:				
Delinquent	28,336	2,866	2,113	33,315
Succeeding year	2,117,377	214,209	100,001	2,431,587
Accounts	12,944	66,692	-	79,636
Due from other governments	90,957	-	-	90,957
Due from other funds	51,003	9,897	-	60,900
Total Assets	\$ 3,574,837	\$ 899,227	\$ 585,371	\$ 5,059,435
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Due to other funds	\$ 9,195	\$ -	\$ 702	\$ 9,897
Accounts payable	131,033	25,278	1,727	158,038
Salaries and benefits payable	585,697	-	-	585,697
Advances from grantors	18,282	-	-	18,282
Total liabilities	\$ 744,207	\$ 25,278	\$ 2,429	\$ 771,914
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	\$ 2,117,377	\$ 214,209	\$ 100,001	\$ 2,431,587
Total deferred inflows of resources	\$ 2,117,377	\$ 214,209	\$ 100,001	\$ 2,431,587
Fund Balances:				
Restricted for:				
Categorical funding	\$ 100,954	\$ -	\$ -	\$ 100,954
Management levy purposes	-	-	428,959	428,959
Student activities	-	-	53,982	53,982
School infrastructure	-	441,420	-	441,420
Physical plant and equipment	-	218,320	-	218,320
Unrestricted	612,299	-	-	612,299
Total fund balances	\$ 713,253	\$ 659,740	\$ 482,941	\$ 1,855,934
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,574,837	\$ 899,227	\$ 585,371	\$ 5,059,435

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, 2015

Total fund balances of governmental funds (page 17) \$ 1,855,934

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds 3,941,562

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 525,254	
Deferred inflows of resources	<u>-695,703</u>	-170,449

Long-term liabilities, including capital leases, early retirement, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds -2,064,208

Net position of governmental activities (page 14) \$ 3,562,839

Rudd-Rockford-Marble Rock Community School District

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

Year Ended June 30, 2015

	General	Capital Projects	Non-Major Funds	Total
Revenues:				
Local Sources:				
Local tax	\$ 2,004,430	\$ 207,351	\$ 149,021	\$ 2,360,802
Tuition	336,499	-	-	336,499
Other	126,377	1,900	193,303	321,580
Intermediate sources				
State sources	-	-	-	-
Federal sources	2,329,960	434,580	728	2,765,268
	272,785	-	-	272,785
Total Revenues	\$ 5,070,051	\$ 643,831	\$ 343,052	\$ 6,056,934
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,148,347	\$ 264,124	\$ 47,298	\$ 2,459,769
Special instruction	675,687	-	-	675,687
Other instruction	693,721	-	172,416	866,137
	\$ 3,517,755	\$ 264,124	\$ 219,714	\$ 4,001,593
Support Services:				
Student services	\$ 86,713	\$ -	\$ -	\$ 86,713
Instructional staff services	106,006	136,816	-	242,822
Administration services	572,370	45,288	1,865	619,523
Operation and maintenance of plant services	457,460	24,731	42,248	524,439
Transportation services	278,986	20,990	12,887	312,863
	\$ 1,501,535	\$ 227,825	\$ 57,000	\$ 1,786,360
Non-instructional programs	\$ -	\$ 2,473	\$ -	\$ 2,473
Other Expenditures:				
Facilities acquisition	\$ -	\$ 156,875	\$ -	\$ 156,875
Long-Term Debt:				
Principal	-	-	47,980	47,980
Interest and fiscal charges	-	-	295	295
AEA flow-through	200,871	-	-	200,871
	\$ 200,871	\$ 156,875	\$ 48,275	\$ 406,021
Total Expenditures	\$ 5,220,161	\$ 651,297	\$ 324,989	\$ 6,196,447
Excess (deficiency) of revenues over (under) expenditures	\$ -150,110	\$ -7,466	\$ 18,063	\$ -139,513
Other Financing Sources (Uses):				
Operating transfers in (out)	\$ -	\$ -48,275	\$ 48,275	\$ -
Proceeds from capital lease	-	101,621	-	101,621
Total Other Financing Sources (Uses)	\$ -	\$ 53,346	\$ 48,275	\$ 101,621
Change in fund balances	\$ -150,110	\$ 45,880	\$ 66,338	\$ -37,892
Fund balances beginning of year, as restated	863,363	613,860	416,603	1,893,826
Fund balances end of year	\$ 713,253	\$ 659,740	\$ 482,941	\$ 1,855,934

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, 2015

Change in fund balances – total governmental funds (page 19) \$ -37,892

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	\$ 440,737	
Depreciation/amortization expense	-424,734	16,003

Proceeds from 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 issuances exceeded repayments, as follows:

Issued	\$ -101,621	
Repaid	47,980	-53,641

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. 13

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 277,708

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	\$ 9,449	
Pension expense	42,815	
Other postemployment benefits	-37,022	15,242

Change in Net Position of Governmental Activities (page 16) \$ 217,433

Rudd-Rockford-Marble Rock Community School District

Statement of Net Position
Proprietary Fund

June 30, 2015

	Enterprise, School Nutrition Fund
Assets	
Current Assets:	
Cash, cash equivalents and pooled investments	\$ 30,149
Accounts receivable	229
Due from other governments	8,515
Inventories	2,774
Total current assets	<u>\$ 41,667</u>
Non-Current Assets:	
Capital assets, net of accumulated depreciation	\$ 982
Total Assets	<u>\$ 42,649</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>\$ 13,726</u>
Liabilities	
Current Liabilities	
Due to other funds	\$ 51,003
Accounts payable	1,070
Salaries and benefits payable	21,361
Unearned revenue	3,253
Total current liabilities	<u>\$ 76,687</u>
Non-Current Liabilities:	
Net pension liability	\$ 47,670
Total Liabilities	<u>\$ 124,357</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>\$ 18,180</u>
Net Position	
Net investment in capital assets	\$ 982
Unrestricted	<u>-87,144</u>
Total Net Position	<u>\$ -86,162</u>

See notes to financial statements.

Rudd-Rockford-Marble Rock Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund

Year Ended June 30, 2015

	<u>Enterprise, School Nutrition Fund</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 152,598
Support services:	
Administrative services	\$ 1,549
Operation and maintenance of plant services	307
	<u>\$ 1,856</u>
Non-instructional programs:	
Food service operations:	
Salaries	\$ 94,476
Benefits	28,164
Purchased services	814
Supplies	149,589
Depreciation	1,128
Miscellaneous	165
	<u>\$ 274,336</u>
Total operating expenses	<u>\$ 276,192</u>
Operating loss	<u>\$ -123,594</u>
Non-operating revenues:	
State sources	\$ 2,347
Federal sources	145,164
Interest	103
Total non-operating revenues	<u>\$ 147,614</u>
Change in net position	\$ 24,020
Net position beginning of year, as restated	<u>-110,182</u>
Net Position End of Year	<u>\$ -86,162</u>

See notes to financial statements.

Rudd-Rockford-Marble Rock Community School District

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2015

	Enterprise, School Nutrition Fund
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 153,190
Cash paid to employees for services	-127,331
Cash paid to suppliers for goods or services	-125,479
Net cash used by operating activities	<u>\$ -99,620</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,347
Federal grants received	110,585
Net cash provided by non-capital financing activities	<u>\$ 112,932</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 103</u>
Cash flows from other sources:	
Inter-fund loan repayments	<u>\$ -16,312</u>
Net decrease in cash and cash equivalents	\$ -2,897
Cash and cash equivalents beginning of year	<u>33,046</u>
Cash and Cash Equivalents End of Year	<u>\$ 30,149</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -123,594
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	26,064
Depreciation	1,128
Decrease in inventories	-
Decrease in prepaid expenses	1,850
Decrease in accounts receivable	564
Increase in accounts payable	993
Increase in salaries and benefits payable	1,721
Increase in unearned revenue	29
Decrease in net pension liability	-19,853
Increase in deferred outflows of resources	-6,702
Increase in deferred inflows of resources	<u>18,180</u>
Net Cash Used by Operating Activities	<u>\$ -99,620</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$26,064 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, 2015

	Private Purpose Trust <u>Scholarship</u>
Assets	
Cash, cash equivalents and pooled investments	<u>\$ 53,803</u>
Total assets	<u>\$ 53,803</u>
Liabilities	
Accounts payable	<u>\$ -</u>
Net position	
Reserved for scholarships	<u>\$ 53,803</u>

See notes to financial statements.

Rudd-Rockford-Marble Rock Community School District

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year Ended June 30, 2015

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 53,203
Interest income	72
Total additions	<u>\$ 53,275</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>\$ 6,300</u>
Change in net position	\$ 46,975
Net position beginning of year	<u>6,828</u>
Net Position, End of Year	<u>\$ 53,803</u>

Rudd-Rockford-Marble Rock Community School District

Notes to Financial Statements

June 30, 2015

(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 are 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 position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

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 and 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
Improvements other than buildings	20 – 50
Furniture and equipment	5 – 15

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable 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.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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 are federal laws or are 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 the preceding 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, 2015 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, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects – Statewide Sales, Services and Use Tax	\$ 16,937
Debt Service	Capital Projects – Physical Plant and Equipment Levy	31,338
		<u>\$ 48,275</u>

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, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise – School Nutrition Fund	\$ 51,003
Capital Projects – Physical Plant and Equipment Levy	General Fund	9,195
Capital Projects – Physical Plant and Equipment Levy	Special Revenue – Student Activity	702
Total		<u>\$ 60,900</u>

The General Fund has loaned the Enterprise – School Nutrition Fund in prior years to offset cash shortfalls. The General Fund owes the Physical Plant and Equipment Levy for general fund expenses which will be repaid by June 30, 2016. The Student Activity Fund owes the Physical Plant and Equipment Levy for activity fund expenses which will be repaid by June 30, 2016.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 118,000	\$ -	\$ -	\$ 118,000
Construction in process	12,180	-	12,180	-
Total capital assets not being depreciated	<u>\$ 130,180</u>	<u>\$ -</u>	<u>\$ 12,180</u>	<u>\$ 118,000</u>
Capital assets being depreciated:				
Buildings	\$ 4,725,401	\$ 189,205	\$ -	\$ 4,914,606
Improvements other than buildings	611,280	13,848	-	625,128
Furniture and equipment	2,456,627	249,864	-	2,706,491
Total capital assets being depreciated	<u>\$ 7,793,308</u>	<u>\$ 452,917</u>	<u>\$ -</u>	<u>\$ 8,246,225</u>
Less accumulated depreciation for:				
Buildings	\$ 2,055,256	\$ 117,473	\$ -	\$ 2,172,729
Improvements other than buildings	265,254	24,430	-	289,684
Furniture and equipment	1,677,419	282,831	-	1,960,250
Total accumulated depreciation	<u>\$ 3,997,929</u>	<u>\$ 424,734</u>	<u>\$ -</u>	<u>\$ 4,422,663</u>
Total capital assets being depreciated, net	<u>\$ 3,795,379</u>	<u>\$ 28,183</u>	<u>\$ -</u>	<u>\$ 3,823,562</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,925,559</u>	<u>\$ 28,183</u>	<u>\$ 12,180</u>	<u>\$ 3,941,562</u>
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 13,537	\$ -	\$ -	\$ 13,537
Less accumulated depreciation	11,427	1,128	-	12,555
Business Type Activities Capital Assets, Net	<u>\$ 2,110</u>	<u>\$ 1,128</u>	<u>\$ -</u>	<u>\$ 982</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular

Other

Support services:

Instructional services

Administration services

Operation and maintenance of plant services

Transportation services

\$ 341,511
10,676

1,380

1,779

13,331

56,057

Total Depreciation Expense – Governmental Activities

\$ 424,734

Business Type Activities:

Food service operations

\$ 1,128

(6) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Governmental activities:					
Capital lease payable	\$ 31,044	\$ 101,621	\$ 47,981	\$ 84,684	\$ 20,324
Net OPEB liability	109,820	37,022	-	146,842	-
Early retirement	17,916	-	9,449	8,467	8,467
Net pension liability	2,583,969	-	759,754	1,824,215	-
Total	\$ 2,742,749	\$ 138,643	\$ 817,184	\$ 2,064,208	\$ 28,791
Business type activities:					
Net pension liability	\$ 67,523	\$ -	\$ 19,853	\$ 47,670	\$ -

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

The District entered into a Capital Lease for copiers on August 8, 2014 with monthly payments of \$1,693.68 for 60 months with no interest.

(7) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing, multiple-employer defined benefit pension plan administered by Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member’s first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member’s highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$277,708.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$1,871,885 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.046253 percent, which was an increase of 0.0043 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$133,863. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,344	\$ -
Changes of assumptions	82,611	-
Net difference between projected and actual earnings on pension plan investments	-	713,883
Changes in proportion and differences between District contributions and proportionate share of contributions	-26,719	-
District contributions subsequent to the measurement date	462,744	-
Total	\$ 538,980	\$ 713,883

\$462,744 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ 196,283
2017	196,283
2018	196,283
2019	196,283
2020	4,987
Total	<u>\$ 790,119</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed Income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	1%	-0.69
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District’s proportionate share of the net pension liability	\$3,536,874	\$1,871,885	\$466,462

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available in IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the District reported no payables to the defined benefit pension plan for legally required employer contributions and for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Other Postemployment Benefits (OPEB)

Plan description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 119 active, 102 waved coverage and 9 terminated members in the plan. Retired 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, 2015; the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 48,624
Interest on net OPEB obligation	2,745
Adjustment to annual required contribution	-7,848
Annual OPEB cost	<u>\$ 43,521</u>
Contributions made	-6,499
Increase in net OPEB obligation	<u>\$ 37,022</u>
Net OPEB obligation beginning of year	<u>109,820</u>
Net OPEB obligation end of year	<u>\$ 146,842</u>

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, 2015.

For the year ended June 30, 2015, the District contributed \$488,946 to the medical plan. Plan members eligible for benefits contributed \$35,140, or 6.7% 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
June 30, 2015	\$48,624	13.3%	146,842

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, 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 \$2,487,638 and the ratio of the UAAL to covered payroll was 7.1%. As of June 30, 2015, 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 for the Retiree Health Plan, 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 \$200,871 for the year ended June 30, 2015 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, 2015 is comprised of the following programs:

Program	Amount
Dropout Prevention	\$ 70,312
Market Factor	4,237
Core Curriculum	2,636
Professional Development	7,710
Early Readers	12,404
Teacher Leadership	1,560
Microsoft	2,095
Total	<u>\$ 100,954</u>

(12) Subsequent Events

The District has evaluated subsequent events through March 26, 2016 which is the date that the financial statements were available to be issued.

(13) Deficit Balances

At June 30, 2015 the Enterprise Fund – School Nutrition Fund had an \$86,162 deficit balance.

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 5,660,593	\$ -49,683
Net pension liability at June 30, 2014	-2,583,969	-67,523
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	268,782	7,024
Net position July 1, 2014, as restated	<u>\$ 3,345,406</u>	<u>\$ -110,182</u>

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, 2015

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>
Revenues:		
Local sources	\$ 3,018,881	\$ 152,701
Intermediate sources	-	-
State sources	2,765,268	2,347
Federal sources	272,785	145,164
Total Revenues	<u>\$ 6,056,934</u>	<u>\$ 300,212</u>
Expenditures/Expenses:		
Instruction	\$ 4,001,593	\$ -
Support services	1,786,360	1,856
Non-instructional programs	2,473	274,336
Other expenditures	406,021	-
Total Expenditures/Expenses	<u>\$ 6,196,447</u>	<u>\$ 276,192</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ -139,513	\$ 24,020
Net other financing sources (uses)	<u>101,621</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses and other financing sources (uses)	<u>\$ -37,892</u>	<u>\$ 24,020</u>
Balances beginning of year	\$ 1,893,826	\$ -49,683
Prior period adjustment	-	-60,499
Adjusted balances beginning of year	<u>\$ 1,893,826</u>	<u>\$ -110,182</u>
Balances End of Year	<u>\$ 1,855,934</u>	<u>\$ -86,162</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amount	Final to Actual Variance
\$	3,171,582	\$ 3,398,865	\$ -227,283
	-	-	-
	2,767,615	2,461,502	306,113
	417,949	318,000	99,949
\$	6,357,146	\$ 6,178,367	\$ 178,779
\$	4,001,593	\$ 4,490,601	\$ 489,008
	1,788,216	2,057,600	269,384
	276,809	307,500	30,691
	406,021	495,896	89,875
\$	6,472,639	\$ 7,351,597	\$ 878,958
\$	-115,493	\$ -1,173,230	\$ 1,057,737
	101,621	450,000	-348,379
	-13,872	-723,230	709,358
\$	1,844,143	1,691,710	152,433
	-60,499	-	-60,499
\$	1,783,644	\$ 1,691,710	\$ 91,934
\$	1,769,772	\$ 968,480	\$ 801,292

Rudd-Rockford-Marble Rock Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2015

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 the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*

Required Supplementary Information

		2015
District's proportion of the net pension liability		0.046253%
District's proportionate share of the net pension liability	\$	1,871,885
District's covered-employee payroll	\$	3,109,838
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		60.19%
Plan fiduciary net position as a percentage of the total pension liability		87.61%

*The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Rudd-Rockford-Marble Rock Community School District

Schedule of District Contributions

**Iowa Public Employees' Retirement System
Last 10 Fiscal Years**

Required Supplementary Information

	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 277,708	\$ 275,806	\$ 262,595	\$ 235,942	\$ 201,909
Contributions in relation to the statutorily required contribution	-277,708	-275,806	-262,595	-235,942	201,909
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 3,109,838	\$ 3,088,533	\$ 3,028,777	\$ 2,923,693	\$ 2,905,165
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.06%	6.95%

See accompanying independent auditor's report.

2010	2009	2008	2007	2006
\$ 176,569	\$ 197,899	\$ 182,001	\$ 158,183	\$ 160,137
-176,569	-197,899	-182,001	-158,183	-160,137
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,655,173	\$ 3,116,520	\$ 3,008,281	\$ 2,751,009	\$ 2,784,991
6.65%	6.35%	6.05%	5.75%	5.75%

Rudd-Rockford-Marble Rock Community School District

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Rudd-Rockford-Marble Rock Community School District

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

Required Supplementary Information

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%
2015	July 1, 2012	\$-	\$178	\$178	0.0%	\$2,486	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, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 426,846	\$ 56,411	\$ 483,257
Receivables:			
Property Tax:			
Delinquent	2,113	-	2,113
Succeeding year	100,001	-	100,001
Total Assets	\$ 528,960	\$ 56,411	\$ 585,371
Liabilities, Deferred Inflows of Resource and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 1,727	\$ 1,727
Due to other funds	-	702	702
Total liabilities	\$ -	\$ 2,429	\$ 2,429
Deferred inflows of resources:			
Succeeding year property tax	\$ 100,001	\$ -	\$ 100,001
Total deferred inflows of resources	\$ 100,001	\$ -	\$ 100,001
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 428,959	\$ -	\$ 428,959
Student activities	-	53,982	53,982
Total fund balances	\$ 428,959	\$ 53,982	\$ 482,941
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 528,960	\$ 56,411	\$ 585,371

See accompanying independent auditor's report.

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, 2015

	Special Revenue			
	Debt Service	Management Levy	Student Activity	Total
Revenues:				
Local Sources:				
Local tax	\$ -	\$ 149,021	\$ -	\$ 149,021
Other	-	6,096	187,207	193,303
State sources	-	728	-	728
Total Revenues	\$ -	\$ 155,845	\$ 187,207	\$ 343,052
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ -	\$ 47,298	\$ -	\$ 47,298
Other instruction	-	-	172,416	172,416
Support Services:				
Administration services	-	1,865	-	1,865
Operation and maintenance of plant services	-	42,248	-	42,248
Transportation services	-	12,887	-	12,887
Other Expenditures:				
Long-term debt:				
Principal	47,980	-	-	47,980
Interest and fiscal charges	295	-	-	295
Total Expenditures	\$ 48,275	\$ 104,298	\$ 172,416	\$ 324,989
Excess (deficiency) of revenues over (under) expenditures	\$ -48,275	\$ 51,547	\$ 14,791	\$ 18,063
Other financing sources (uses):				
Operating transfer in	48,275	-	-	48,275
Change in fund balances	\$ -	\$ 51,547	\$ 14,791	\$ 66,338
Fund balances beginning of year	-	377,412	39,191	416,603
Fund Balances End of Year	\$ -	\$ 428,959	\$ 53,982	\$ 482,941

See accompanying independent auditor's report.

Rudd-Rockford-Marble Rock Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 397,404	\$ 208,159	\$ 605,563
Receivables:			
Property Tax:			
Delinquent	-	2,866	2,866
Succeeding year	-	214,209	214,209
Accounts	66,692	-	66,692
Due from other funds	-	9,897	9,897
Total Assets	\$ 464,096	\$ 435,131	\$ 899,227
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts Payable	\$ 22,676	\$ 2,602	\$ 25,278
Total liabilities	\$ 22,676	\$ 2,602	\$ 25,278
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 214,209	\$ 214,209
Total deferred inflows of resources	\$ -	\$ 214,209	\$ 214,209
Fund Balances:			
Restricted for:			
School infrastructure	\$ 441,420	\$ -	\$ 441,420
Physical plant and equipment	-	218,320	218,320
Total fund balances	\$ 441,420	\$ 218,320	\$ 659,740
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 464,096	\$ 435,131	\$ 899,227

See accompanying independent auditor's report.

Rudd-Rockford-Marble Rock Community School District

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

Year Ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local Sources:			
Local tax	\$ -	\$ 207,351	\$ 207,351
Other	1,268	632	1,900
State sources	429,719	4,861	434,580
Total Revenues	<u>\$ 430,987</u>	<u>\$ 212,844</u>	<u>\$ 643,831</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 264,124	\$ -	\$ 264,124
Support services:			
Instructional staff services	23,562	113,254	136,816
Administrative services	8,232	37,056	45,288
Operation and maintenance of plant services	22,763	1,968	24,731
Transportation services	-	20,990	20,990
Non-instruction	2,473	-	2,473
Other Expenditures:			
Facilities acquisition	78,092	78,783	156,875
Total Expenditures	<u>\$ 399,246</u>	<u>\$ 252,051</u>	<u>\$ 651,297</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 31,741</u>	<u>\$ -39,207</u>	<u>\$ -7,466</u>
Other Financing Sources (Uses):			
Operating transfers in (out)	\$ -31,338	\$ -16,937	\$ -48,275
Proceeds from capital lease	-	101,621	101,621
Total other financing sources (uses)	<u>\$ -31,338</u>	<u>\$ 84,684</u>	<u>\$ 53,346</u>
Change in fund balances	\$ 403	\$ 45,477	\$ 45,880
Fund balances beginning of year	441,017	\$ 172,843	613,860
Fund Balances End of Year	<u>\$ 441,420</u>	<u>\$ 218,320</u>	<u>\$ 659,740</u>

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, 2015

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Inter-fund Transfers	Balance End of Year
Athletics	\$ 3,213	\$ 53,853	\$ 62,581	\$ 6,432	\$ 917
Cheerleaders	1,835	2,072	3,248	161	820
Concessions	930	26,709	16,876	-7,883	2,880
Drama	1,466	250	-	-	1,716
FFA	5,004	47,004	47,396	-	4,612
MS Student Council	1,414	575	1,322	722	1,389
Instrumental Music	1,147	2,368	2,839	2,000	2,676
Vocal Music	2,672	2,745	1,705	2,000	5,712
Annual	-	5,333	1,086	-1,891	2,356
Spanish Club	3,832	732	580	125	4,109
Speech	73	-	50	-	23
Student Council	2,886	6,516	4,862	1,814	6,354
UN Model Group	2,073	-	351	-	1,722
RRMR Elementary	4,778	4,981	5,521	-125	4,113
Coca Cola	2,265	2,686	5,175	842	618
Class of 2016	-	6,227	5,089	645	1,783
Class of 2012	317	-	-	-	317
Interest	670	172	-	-842	-
Fitness Center	3,076	5,305	1,822	-	6,559
Class of 2014	417	-	-	-	417
Scholarship	-	-	-	-	-
Class of 2015	1,123	360	1,040	-	443
Music Trip	-	19,319	10,873	-4,000	4,446
Total	\$ 39,191	\$ 187,207	\$ 172,416	\$ -	\$ 53,982

See accompanying independent auditor's report.

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			
	2015	2014	2013	2012
Revenues:				
Local Sources:				
Local tax	\$ 2,360,802	\$ 2,782,753	\$ 2,987,714	\$ 2,903,686
Tuition	336,499	308,546	270,060	236,015
Other	321,580	385,531	399,399	305,021
State sources	2,765,268	2,470,812	2,363,443	2,407,039
Federal sources	272,785	212,008	232,719	303,431
Total	\$ 6,056,934	\$ 6,159,650	\$ 6,253,335	\$ 6,155,192
Expenditures:				
Instruction:				
Regular instruction	\$ 2,459,769	\$ 2,201,230	\$ 2,164,099	\$ 3,667,736
Special instruction	675,687	775,033	700,711	*
Other instruction	866,137	941,495	977,484	*
Support services:				
Student services	86,713	112,164	111,116	108,356
Instructional staff services	242,822	129,820	160,665	143,462
Administrative services	619,523	584,492	559,387	533,571
Operation and maintenance of plant services	524,439	565,025	488,099	481,793
Transportation services	312,863	429,985	330,175	361,978
Non-instructional programs	2,473	-	-	-
Food service operations	-	6,954	9,241	31,435
Other expenditures:				
Facilities acquisition	156,875	227,840	211,632	157,787
Long-term debt:				
Principal	47,980	61,213	60,067	58,942
Interest and other charges	295	1,464	2,610	3,735
AEA flow-through	200,871	200,966	192,227	200,942
Total	\$ 6,196,447	\$ 6,237,681	\$ 5,967,513	\$ 5,749,737

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

See accompanying independent auditor's report.

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
\$ 2,775,235	\$ 2,665,071	\$ 2,870,348	\$ 2,750,551	\$ 2,649,376	\$ 2,636,078
243,758	252,188	263,290	238,103	207,598	238,498
315,167	234,607	281,285	251,512	316,913	251,313
2,375,450	2,077,725	2,645,281	2,645,669	2,543,700	2,487,298
287,833	529,451	230,372	167,153	135,175	185,502
\$ 5,997,443	\$ 5,759,042	\$ 6,290,576	\$ 6,052,988	\$ 5,852,762	\$ 5,798,689
\$ 3,980,974	\$ 3,479,085	\$ 3,607,362	\$ 3,436,345	\$ 3,304,648	\$ 3,028,522
*	*	*	*	*	*
*	*	*	*	*	*
136,175	136,490	112,968	119,401	99,197	86,600
299,433	114,758	73,190	74,672	80,463	195,219
501,436	531,490	546,938	530,187	526,839	508,269
485,975	559,486	559,892	593,982	551,888	1,034,912
299,210	311,005	338,502	363,342	333,745	284,054
-	-	-	-	-	-
5,006	-	2,304	4,608	-	-
366,347	490,573	206,473	752,596	145,942	162,708
31,338	-	240,000	225,000	210,000	205,000
-	-	12,400	23,425	33,505	43,243
227,040	226,325	199,780	196,283	185,689	180,412
\$ 6,332,934	\$ 5,849,212	\$ 5,899,809	\$ 6,319,841	\$ 5,471,916	\$ 5,728,939

**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, 2015, and the related Notes to Financial Statements which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 26, 2016.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-15 through I-F-15 to be material weaknesses.

A significant deficiency is a deficiency or a 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-G-15 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 one instance of non-compliance or other matters that is required to be reported under Government Auditing Standards. It is described in the accompanying Schedule of Findings as Item I-H-15. I also 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, 2015 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.

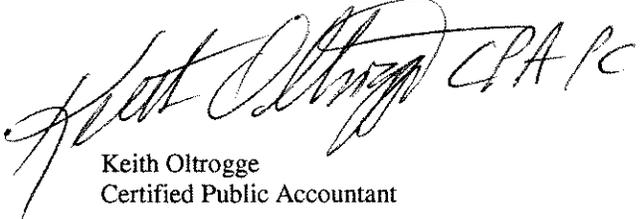
Rudd-Rockford-Marble Rock Community School District's Responses to the Findings

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 26, 2016

Rudd-Rockford-Marble Rock Community School District

Schedule of Findings

Year Ended June 30, 2015

Part I – Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 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-15 Disbursement Approval – For 17 of 19 general fund, 9 of 21 student activity fund, 10 of 10 capital project fund and 7 of 8 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.

I-C-15 Supporting Documentation – I noted several instances of checks being written to a vendor without an invoice or supporting documentation.

Recommendation – The District should review their procedures to ensure that bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response – The District will review its procedures to ensure invoices are provided for all payments.

Conclusion – Response acknowledged.

Rudd-Rockford-Marble Rock Community School District

Schedule of Findings

Year Ended June 30, 2015

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

INTERNAL CONTROL DEFICIENCIES:

I-D-15 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-15 Financial Reporting – During the audit, I identified material amounts of disbursements recorded in incorrect funds. Adjustments were made by the District to properly record the receipts and disbursements to the proper fund and inter-fund receivable and payable accounts were created. I also noted several expenditures with wrong object codes reported.

Recommendation – The District should implement procedures to ensure all receipts and disbursements are recorded on the correct fund in the District's financial statements. The District should transfer \$9,195 from the Capital Project – Physical Plant and Equipment Levy to the General Fund for the incorrect expenditures. The district should refer to the Uniform Chart of Accounts in Iowa to properly code expenditures..

Response – We will double check these in the future to make sure all expenditures are recorded in the correct fund and object code. We will make the recommended corrective transfer.

Conclusion – Response accepted.

I-F-15 Nutrition Fund Inventory – The District did not take a physical inventory of groceries and supplies at year end.

Recommendation – I recommended the District take a physical inventory of groceries and supplies annually. The inventory should include the signature of the individual(s) who conducted the inventory.

Response – We have revised procedures to ensure a physical inventory is taken annually.

Conclusion – Response accepted.

Rudd-Rockford-Marble Rock Community School District

Schedule of Findings

Year Ended June 30, 2015

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

INTERNAL CONTROL DEFICIENCIES:

I-G-15 Annual Financial Statements – The ability to apply U.S. 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 this is a control deficiency the District would like to address.

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

Conclusions – Response accepted.

INSTANCES OF NON-COMPLIANCE:

I-H-15 Adult Meal Pricing – The USDA's Food and Nutrition Service requires that adult meals must be priced high enough so they are not subsidized by the federal reimbursements and other income of the school nutrition program. I noted the adult lunch prices were thirty-nine cents (\$0.39) below the required price.

Recommendation – The District should increase adult meal prices.

Response – Meal prices were increased.

Conclusion – Response accepted.

Rudd-Rockford-Marble Rock Community School District

Schedule of Findings

Year Ended June 30, 2015

Part II - Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget – Expenditures for the year ended June 30, 2015 did not exceed the certified budget amounts in any of the four functions. The District did not exceed its unspent authorized budget.

II-B-15 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.

Vendor	Description	Amount
General:		
MasterCard (twice)	Board supplies and food	\$20.80
Employee	Board supplies and food	\$30.43
Activity:		
MasterCard	Gift cards	\$20.00
MasterCard	Work tunes MP3 player ear muffs	\$47.99
City of Greene	Staff pool party	\$75.00
Employee	Funeral flowers	\$101.65

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 2016, the District will not make any purchases for gifts, teacher appreciation supplies or other items that are not appropriate.

Conclusion – Response acknowledged.

II-C-15 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted; however I noted that there were instances of reimbursements made to employees which lacked detailed receipts. There were also credit card statement charges that were paid without receipts.

Recommendation – The District should review procedures in place to ensure the proper detailed documentation will be available with all payments for travel.

Response – The District will monitor reimbursements, and make payments to make sure detailed receipts are submitted.

Conclusion – Response accepted.

Rudd-Rockford-Marble Rock Community School District

Schedule of Findings

Year Ended June 30, 2015

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

II-D-15 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	\$160
Marty’s E Keg – Employees, Spouse Owner	Supplies	\$418

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-15 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.

II-F-15 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.

II-G-15 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-15 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

II-I-15 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-J-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-K-15 Deficit Balances – I noted that the District’s School Nutrition Fund had a deficit fund balance of \$86,162 at June 30, 2015.

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 \$24,020 in fiscal year 2015.

Conclusion – Response accepted.

Rudd-Rockford-Marble Rock Community School District

Schedule of Findings

Year Ended June 30, 2015

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

II-L-15 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-M-15 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable use of the statewide sales, services and use tax revenue provided in 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	441,017
Revenues/transfers in:			
Sales tax revenues	\$	429,719	
Other local revenues		1,268	430,987
		\$	872,004
Expenditures/transfers out:			
School infrastructure construction	\$	78,092	
Equipment		293,752	
Other		27,402	
Transfers to other funds:			
Debt service fund		31,338	430,584
		\$	441,420

For the year ended June 30, 2015, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Per \$1,000 of Taxable Valuation		Property Tax Dollars Reduced
Debt service levy	\$	-	\$ 429,719
Physical plant and equipment levy (PEEL)		-	139,589
Public educational and recreational levy (PERL)		-	-
Total			\$ 569,308

Rudd-Rockford-Marble Rock Community School District

Schedule of Findings

Year Ended June 30, 2015

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

II-N-15 Student Activity Class Accounts – I noted during my audit that the Class of 2012 and 2014 accounts 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 classes accounts will be closed and the remaining balances will be allocated among other activity accounts.

Conclusion – Response accepted.

II-O-15 Sales Tax – Sales tax was paid by the District on several disbursements tested.

Recommendation – Supporting documentation should be reviewed carefully before disbursements are made.

Response – We will review all invoices for sales tax before payments are made.

Conclusion – Response acknowledged

II-P-15 Physical Plant and Equipment Levy (PPEL) Expenditures – I noted during my audit that the District made purchases from the PPEL Fund which do not appear to be in compliance with Chapter 423 and 298.3 and the Code of Iowa.

Recommendation – Inappropriate uses of the PPEL Fund include any other purpose not expressly authorized in the Iowa Code. The District should review Chapter 423 and Chapter 289 of the Code of Iowa for the allowability of expenditures from the PPEL Fund.

Response – The District will review Chapter 423 and 298 of the Code of Iowa.

Conclusion – Response accepted.

II-Q-15 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires in this manner to include an image of both the front and back of each cancelled check. The District retained cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The District will obtain and retain images of both the front and back of cancelled checks as required. The District can go on line any time and see/print the back side of any check.

Conclusion – Response accepted.