

REMSEN-UNION  
COMMUNITY SCHOOL DISTRICT

Remsen, Iowa

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Independent Auditor's Reports  
Basic Financial Statements and Supplemental Information  
Schedule of Findings

June 30, 2006

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

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REMSEN-UNION COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2006

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>BOARD OF EDUCATION</u> (Before September 2005 Election)		
Mark Wurth	President	September 2006
Keith Ahlers	Vice President	September 2005
Jill Utesch	Board Member	September 2006
Shirley Schroeder	Board Member	September 2007
Rich Van Dam	Board Member	September 2007

<u>BOARD OF EDUCATION</u> (After September 2005 Election)		
Mark Wurth	President	September 2006
Rich Van Dam	Vice President	September 2007
Jill Utesch	Board Member	September 2006
Shirley Schroeder	Board Member	September 2007
Arlie Pick	Board Member	September 2008

<u>SCHOOL OFFICIALS</u>		
Gary Battles	Superintendent	June 30, 2006
Clint Leonard	Secretary/Treasurer	June 30, 2006
Barry Thompson	Attorney	Indefinite
James Hanks	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Remsen-Union Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Remsen-Union Community School District (the District), Remsen, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the District at June 30, 2006 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



KING, REINSCH, PROSSER & CO., L.L.P.  
Certified Public Accountants

To the Board of Education of  
Remsen-Union Community School District

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 31 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information included in Schedules 1 through 4 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

October 18, 2006  
Sioux City, Iowa

*King, Reinsch, Prosser & Co., L.L.P.*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Remsen-Union Community School District (the 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, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2006 Financial Highlights**

- General Fund revenues increased from \$3,340,469 in fiscal 2005 to \$3,374,431 in fiscal 2006, and General Fund expenditures increased from \$3,226,818 in fiscal 2005 to \$3,362,155 in fiscal 2006. The District's General Fund balance increased from \$1,401,213 in fiscal 2005 to \$1,414,535 in fiscal 2006, a 1.0% increase.
- The increase in General Fund revenues was primarily attributable to increased state revenues and investment earnings. The increase in General Fund expenditures was primarily due to increased staff levels and the purchase of textbooks. The net effect of these factors resulted in an increase in the General Fund Balance.

### **Using This Annual Report**

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-Wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

## **Reporting the District's Financial Activities**

*Government-Wide Financial Statements* - The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

- **Governmental Activities**: Most of the District's basic services are included here, such as regular and special education, transportation 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 and building trades programs are included here.

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

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

The District has two kinds of funds.

1. **Governmental Funds** - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Management Levy, Debt Service, Student Activity, Capital Projects and Physical Plant and Equipment Levy 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, are the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Building Trades Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

### Government-Wide Financial Analysis

Figure A-1 below provides a summary of the District's net assets at June 30, 2006 and 2005.

Figure A-1 (In Thousands)  
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
Current and other assets	\$ 4,131	\$ 4,016	\$ 39	\$ 152	\$ 4,170	\$ 4,168	0.0%
Capital assets, net	<u>2,861</u>	<u>2,737</u>	<u>5</u>	<u>3</u>	<u>2,866</u>	<u>2,740</u>	4.6%
Total assets	<u>\$ 6,992</u>	<u>\$ 6,753</u>	<u>\$ 44</u>	<u>\$ 155</u>	<u>\$ 7,036</u>	<u>\$ 6,908</u>	1.9%
Long-term liabilities	\$ 1,681	\$ 1,770	\$ -	\$ 131	\$ 1,681	\$ 1,901	-11.6%
Other liabilities	<u>2,216</u>	<u>2,204</u>	<u>-</u>	<u>-</u>	<u>2,216</u>	<u>2,204</u>	0.5%
Total liabilities	<u>\$ 3,897</u>	<u>\$ 3,974</u>	<u>\$ -</u>	<u>\$ 131</u>	<u>\$ 3,897</u>	<u>\$ 4,105</u>	-5.1%
Net assets:							
Invested in capital assets, net of related debt	\$ 1,296	\$ 967	\$ 5	\$ 3	\$ 1,301	\$ 970	34.1%
Restricted	473	416	-	-	473	416	13.7%
Unrestricted	<u>1,326</u>	<u>1,396</u>	<u>39</u>	<u>21</u>	<u>1,365</u>	<u>1,417</u>	-3.7%
Total net assets	<u>\$ 3,095</u>	<u>\$ 2,779</u>	<u>\$ 44</u>	<u>\$ 24</u>	<u>\$ 3,139</u>	<u>\$ 2,803</u>	12.0%

A large portion of the District's net assets is the invested in capital assets (e.g., land, 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 assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Figure A-2 shows the change in net assets for the years ended June 30, 2006 and 2005.

Figure A-2 (In Thousands)  
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2006	2005	2006	2005	2006	2005	2005-2006
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 257	\$ 264	\$ 92	\$ 94	\$ 349	\$ 358	-2.5%
Operating grants, contributions and restricted interest	533	539	54	51	587	590	0.5%
<b>General revenues:</b>							
Property tax	1,876	1,916	-	-	1,876	1,916	-2.1%
Local option sales tax	267	177	-	-	267	177	50.8%
Unrestricted state grants	1,115	1,055	-	-	1,115	1,055	5.7%
Unrestricted investment earnings	62	38	1	1	63	39	61.5%
Other	1	-	24	-	25	-	100.0%
<b>Total revenues</b>	<b>\$ 4,111</b>	<b>\$ 3,989</b>	<b>\$ 171</b>	<b>\$ 146</b>	<b>\$ 4,282</b>	<b>\$ 4,135</b>	<b>3.6%</b>
<b>Program expenses:</b>							
Instruction	\$ 2,415	\$ 2,463	\$ -	\$ -	\$ 2,415	\$ 2,463	-1.9%
Support services	1,184	893	-	-	1,184	893	32.6%
Non-instructional programs	-	-	151	150	151	150	0.7%
Other expenses	196	200	-	-	196	200	-2.0%
<b>Total expenses</b>	<b>\$ 3,795</b>	<b>\$ 3,556</b>	<b>\$ 151</b>	<b>\$ 150</b>	<b>\$ 3,946</b>	<b>\$ 3,706</b>	<b>6.5%</b>
<b>Change in net assets</b>	<b>\$ 316</b>	<b>\$ 433</b>	<b>\$ 20</b>	<b>\$ (4)</b>	<b>\$ 336</b>	<b>\$ 429</b>	<b>-21.7%</b>

Property tax and unrestricted state grants account for 69.9% of the total revenue (71.9% in 2005). The District's expenses primarily relate to instruction and support services, which account for 91.2% of the total expenses (90.7% in 2005).

*Governmental Activities* - Revenues for governmental activities were \$4,110,794 and expenses were \$3,795,392. The District was able to keep expenses at a level less than revenues.

The following table presents the total and net cost of the District's major governmental activities for the years ended June 30, 2006 and 2005: Instruction, support services, and other expenses.

Figure A-3 (In Thousands)  
Total and Net Cost of Governmental Activities

	Total Cost of Services		Percent	Net Cost of Services		Percent
	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>2006</u>	<u>2005</u>	<u>Change</u>
Instruction	\$ 2,415	\$ 2,463	-1.9%	\$ 1,842	\$ 1,867	-1.3%
Support services	1,184	893	32.6%	1,116	832	34.1%
Other expenses	196	200	-2.0%	47	54	-13.0%
Totals	<u>\$ 3,795</u>	<u>\$ 3,556</u>	<u>6.7%</u>	<u>\$ 3,005</u>	<u>\$ 2,753</u>	<u>9.2%</u>

- The cost financed by users of the District's programs was \$256,712 (\$264,215 in 2005).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$533,332 (\$539,152 in 2005).
- The net cost of governmental activities was financed with \$2,142,767 in property and other taxes (\$2,092,341 in 2005) and \$1,115,210 in unrestricted state grants (\$1,055,236 in 2005).

*Business Type Activities* - Revenues for business type activities were \$171,253 (\$145,790 in 2005) and expenses were \$150,688 (\$150,256 in 2005). The District's business type activities consist of the School Nutrition and Building Trades Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **Governmental Fund Analysis**

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,920,622, above last year's ending fund balances of \$1,817,316. The District's proprietary funds reported end of year net assets of \$44,244, above last year's ending net assets of \$23,679.

### **Governmental Fund Highlights**

The District's General Fund maintains a strong financial position with \$1,414,535 in its fund balance at June 30, 2006. The District has experienced some decline in enrollment and lower federal monies; however, the District was able to manage expenses enough to keep them at a level less than revenues.

The District's Capital Projects Fund balance increased \$194,270 due to not purchasing a large amount of equipment from this fund during the current fiscal year.

Proprietary Fund Highlights

Revenues for business type activities were \$171,253 and expenses were \$150,688. The District's business type activities consist of the School Nutrition and Building Trades Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**Budgetary Highlights**

The District's actual receipts from local sources were greater than budget and actual receipts from state and federal sources less than budget due to unexpected changes in revenue sources.

The District's actual instruction, support services and non-instructional expenditures were less than budget due to less than expected staff levels. The District's other expenditures were greater than budget due primarily to the purchase of certain instructional materials.

**Capital Assets and Debt Administration**

Capital Assets - At June 30, 2006, the District had invested \$2,866,156, 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-4) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$131,265.

The original cost of the District's capital assets was \$4,514,993. Governmental funds account for \$4,489,602, with the remainder of \$25,391 accounted for in the Proprietary, School Nutrition Fund.

Figure A-4 (In Thousands)  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Percent
	2006	2005	2006	2005	2006	2005	Change
Land	\$ 50	\$ 50	\$ -	\$ -	\$ 50	\$ 50	0.0%
Buildings and improvements	2,544	2,455	-	-	2,544	2,455	3.6%
Vehicles	135	104	-	-	135	104	29.8%
Machinery and equipment	132	138	5	3	137	141	-2.8%
Totals	<u>\$ 2,861</u>	<u>\$ 2,747</u>	<u>\$ 5</u>	<u>\$ 3</u>	<u>\$ 2,866</u>	<u>\$ 2,750</u>	<u>4.2%</u>

Long-Term Debt - At June 30, 2006, the District had \$1,565,000 general obligation capital loan notes. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

During June 2003, the District issued \$2,170,000 general obligation capital loan notes for the purpose of repairing, remodeling, reconstructing, improving and/or expanding the school houses, buildings (or additions), grounds and/or purchasing certain equipment.

A voter-approved physical plant and equipment levy (PPEL), equal to \$1.34 per thousand dollars of assessed value, will provide funds to pay for the amount of principal and interest due each year until maturity. This levy became effective for the fiscal year ending June 30, 2004.

### **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 circumstances that could significantly affect its financial health in the future:

The District anticipates future updating textbooks and experiencing a slow student enrollment decline.

### **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 Clint Leonard, Secretary/Treasurer, Remsen-Union Community School District, 511 Roosevelt Street, Remsen, Iowa 51050.

# BASIC FINANCIAL STATEMENTS

## REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETSJUNE 30, 2006

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 2,183,217	\$ 35,209	\$ 2,218,426
Receivables:			
Property tax:			
Current year	27,331	-	27,331
Succeeding year	1,818,099	-	1,818,099
Accounts	72,655	-	72,655
Prepaid expenses	25,229	-	25,229
Inventories	4,434	3,833	8,267
Capital assets, net of accumulated depreciation	<u>2,860,954</u>	<u>5,202</u>	<u>2,866,156</u>
 Total assets	 <u>\$ 6,991,919</u>	 <u>\$ 44,244</u>	 <u>\$ 7,036,163</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 99,492	\$ -	\$ 99,492
Salaries and benefits payable	292,752	-	292,752
Accrued interest payable	5,736	-	5,736
Deferred revenue - succeeding year property tax	1,818,099	-	1,818,099
Long-term liabilities:			
Early retirement payable - due within one year	10,560	-	10,560
Early retirement payable - due after one year	105,827	-	105,827
General obligation capital loan notes - due within one year	205,000	-	205,000
General obligation capital loan notes - due after one year	<u>1,360,000</u>	<u>-</u>	<u>1,360,000</u>
Total liabilities	<u>\$ 3,897,466</u>	<u>\$ -</u>	<u>\$ 3,897,466</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	\$ 1,295,954	\$ 5,202	\$ 1,301,156
Restricted for:			
Physical plant and equipment levy	52,368	-	52,368
Other special revenue purposes	46,703	-	46,703
Capital projects	373,733	-	373,733
Unrestricted	<u>1,325,695</u>	<u>39,042</u>	<u>1,364,737</u>
Total net assets	<u>\$ 3,094,453</u>	<u>\$ 44,244</u>	<u>\$ 3,138,697</u>
 Total liabilities and net assets	 <u>\$ 6,991,919</u>	 <u>\$ 44,244</u>	 <u>\$ 7,036,163</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>
<b>FUNCTIONS/PROGRAMS:</b>			
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,691,823	\$ 165,131	\$ 314,630
Special instruction	412,147	-	1,504
Other instruction	<u>310,679</u>	<u>91,581</u>	<u>-</u>
	<u>\$ 2,414,649</u>	<u>\$ 256,712</u>	<u>\$ 316,134</u>
Support services:			
Student services	\$ 77,215	\$ -	\$ -
Instructional staff services	49,696	-	-
Administration services	550,959	-	-
Operation and maintenance of plant services	297,063	-	-
Transportation services	<u>209,950</u>	<u>-</u>	<u>68,832</u>
	<u>\$ 1,184,883</u>	<u>\$ -</u>	<u>\$ 68,832</u>
Other expenditures:			
Long-term debt interest	\$ 47,494	\$ -	\$ -
AEA flow through	<u>148,366</u>	<u>-</u>	<u>148,366</u>
	<u>\$ 195,860</u>	<u>\$ -</u>	<u>\$ 148,366</u>
Total governmental activities	<u>\$ 3,795,392</u>	<u>\$ 256,712</u>	<u>\$ 533,332</u>
Business type activities:			
Non-instructional programs:			
Food service operations	\$ 148,444	\$ 91,906	\$ 54,282
Building trades operations	94	-	-
Long-term debt interest	<u>2,150</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 150,688</u>	<u>\$ 91,906</u>	<u>\$ 54,282</u>
Total	<u>\$ 3,946,080</u>	<u>\$ 348,618</u>	<u>\$ 587,614</u>
<b>GENERAL REVENUES:</b>			
Property tax levied for:			
General purposes			
Management levy			
Physical plant and equipment levy			
Local option sales tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net assets			
Net assets beginning of year			
Net assets end of year			

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (1,212,062)	\$ -	\$ (1,212,062)
(410,643)	-	(410,643)
<u>(219,098)</u>	<u>-</u>	<u>(219,098)</u>
<u>\$ (1,841,803)</u>	<u>\$ -</u>	<u>\$ (1,841,803)</u>
\$ (77,215)	\$ -	\$ (77,215)
(49,696)	-	(49,696)
(550,959)	-	(550,959)
(297,063)	-	(297,063)
<u>(141,118)</u>	<u>-</u>	<u>(141,118)</u>
<u>\$ (1,116,051)</u>	<u>\$ -</u>	<u>\$ (1,116,051)</u>
\$ (47,494)	\$ -	\$ (47,494)
-	-	-
<u>\$ (47,494)</u>	<u>\$ -</u>	<u>\$ (47,494)</u>
<u>\$ (3,005,348)</u>	<u>\$ -</u>	<u>\$ (3,005,348)</u>
\$ -	\$ (2,256)	\$ (2,256)
-	(94)	(94)
-	<u>(2,150)</u>	<u>(2,150)</u>
<u>\$ -</u>	<u>\$ (4,500)</u>	<u>\$ (4,500)</u>
<u>\$ (3,005,348)</u>	<u>\$ (4,500)</u>	<u>\$ (3,009,848)</u>
\$ 1,511,642	\$ -	\$ 1,511,642
60,122	-	60,122
304,177	-	304,177
266,826	-	266,826
1,115,210	-	1,115,210
62,266	1,182	63,448
<u>507</u>	<u>23,883</u>	<u>24,390</u>
<u>\$ 3,320,750</u>	<u>\$ 25,065</u>	<u>\$ 3,345,815</u>
\$ 315,402	\$ 20,565	\$ 335,967
<u>2,779,051</u>	<u>23,679</u>	<u>2,802,730</u>
<u>\$ 3,094,453</u>	<u>\$ 44,244</u>	<u>\$ 3,138,697</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICTBALANCE SHEET - GOVERNMENTAL FUNDSJUNE 30, 2006

	<u>General</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>ASSETS:</b>					
Cash and pooled investments	\$ 1,621,521	\$ 47,513	\$ 435,057	\$ 79,126	\$ 2,183,217
Receivables:					
Property tax:					
Current year	21,616	4,855	-	860	27,331
Succeeding year	1,448,461	296,303	-	73,335	1,818,099
Accounts	52,910	-	19,745	-	72,655
Prepaid expenses	25,229	-	-	-	25,229
Inventory	4,434	-	-	-	4,434
	<u>3,174,171</u>	<u>348,671</u>	<u>454,802</u>	<u>153,321</u>	<u>4,130,965</u>
Total assets					
	<u>\$ 3,174,171</u>	<u>\$ 348,671</u>	<u>\$ 454,802</u>	<u>\$ 153,321</u>	<u>\$ 4,130,965</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Accounts payable	\$ 18,423	\$ -	\$ 81,069	\$ -	\$ 99,492
Salaries and benefits payable	292,752	-	-	-	292,752
Deferred revenue:					
Succeeding year property tax	<u>1,448,461</u>	<u>296,303</u>	<u>-</u>	<u>73,335</u>	<u>1,818,099</u>
Total liabilities	<u>\$ 1,759,636</u>	<u>\$ 296,303</u>	<u>\$ 81,069</u>	<u>\$ 73,335</u>	<u>\$ 2,210,343</u>
Fund balances:					
Unreserved	<u>\$ 1,414,535</u>	<u>\$ 52,368</u>	<u>\$ 373,733</u>	<u>\$ 79,986</u>	<u>\$ 1,920,622</u>
Total liabilities and fund balances	<u>\$ 3,174,171</u>	<u>\$ 348,671</u>	<u>\$ 454,802</u>	<u>\$ 153,321</u>	<u>\$ 4,130,965</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET ASSETS

JUNE 30, 2006

Total fund balances of governmental funds	\$ 1,920,622
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,860,954
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(5,736)
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,681,387)</u>
Net assets of governmental activities	<u>\$ 3,094,453</u>

## REMSEN-UNION COMMUNITY SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

## GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	General	Physical Plant and Equipment Levy	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,511,643	\$ 304,177	\$ 266,826	\$ 60,122	\$ 2,142,768
Tuition	76,666	-	-	-	76,666
Other	137,580	3,717	8,513	92,501	242,311
State sources	1,502,553	-	-	-	1,502,553
Federal sources	145,989	-	-	-	145,989
Total revenues	<u>\$ 3,374,431</u>	<u>\$ 307,894</u>	<u>\$ 275,339</u>	<u>\$ 152,623</u>	<u>\$ 4,110,287</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 1,647,291	\$ -	\$ -	\$ 7,341	\$ 1,654,632
Special instruction	398,674	-	-	254	398,928
Other instruction	206,075	-	-	95,734	301,809
	<u>\$ 2,252,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,329</u>	<u>\$ 2,355,369</u>
Support services:					
Student services	\$ 74,393	\$ -	\$ -	\$ 349	\$ 74,742
Instructional staff services	48,100	-	-	-	48,100
Administration services	421,290	-	-	1,849	423,139
Operation and maintenance of plant services	237,916	-	-	49,616	287,532
Transportation services	180,050	-	-	5,619	185,669
	<u>\$ 961,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,433</u>	<u>\$ 1,019,182</u>
Other expenditures:					
Facilities acquisition	\$ -	\$ 152,268	\$ 81,069	\$ -	\$ 233,337
Long-term debt:					
Principal	-	-	-	205,000	205,000
Interest	-	-	-	46,773	46,773
AEA flow through	148,366	-	-	-	148,366
	<u>\$ 148,366</u>	<u>\$ 152,268</u>	<u>\$ 81,069</u>	<u>\$ 251,773</u>	<u>\$ 633,476</u>
Total expenditures	<u>\$ 3,362,155</u>	<u>\$ 152,268</u>	<u>\$ 81,069</u>	<u>\$ 412,535</u>	<u>\$ 4,008,027</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ 12,276</u>	<u>\$ 155,626</u>	<u>\$ 194,270</u>	<u>\$ (259,912)</u>	<u>\$ 102,260</u>
Other financing sources:					
Sale of equipment	\$ 1,046	\$ -	\$ -	\$ -	\$ 1,046
Transfers in	-	-	-	248,137	248,137
Transfers out	-	(248,137)	-	-	(248,137)
	<u>\$ 1,046</u>	<u>\$ (248,137)</u>	<u>\$ -</u>	<u>\$ 248,137</u>	<u>\$ 1,046</u>
Net change in fund balances	\$ 13,322	\$ (92,511)	\$ 194,270	\$ (11,775)	\$ 103,306
Fund balances beginning of year	<u>1,401,213</u>	<u>144,879</u>	<u>179,463</u>	<u>91,761</u>	<u>1,817,316</u>
Fund balances end of year	<u>\$ 1,414,535</u>	<u>\$ 52,368</u>	<u>\$ 373,733</u>	<u>\$ 79,986</u>	<u>\$ 1,920,622</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds	\$	103,306
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are capitalized in the Statement of Net Assets and are expensed over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$	254,691	
Depreciation expense		<u>(129,948)</u>	124,743

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	205,000
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Cash received on sale of capital assets is recognized as revenue in the governmental funds. In the Statement of Activities, a gain (loss) on disposal of capital assets is recognized based on the difference between the cash received and the net book value of the capital assets disposed.	(539)
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(721)
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Early retirement expenses reported in the Statement of Activities are measured by the amount incurred during the year. However, in the governmental funds, early retirement expenditures are measured by the amount actually paid.	<u>(116,387)</u>
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Change in net assets of governmental activities	\$	<u>315,402</u>
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REMSEN-UNION COMMUNITY SCHOOL DISTRICTSTATEMENTS OF NET ASSETS - PROPRIETARY FUNDSJUNE 30, 2006

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 16,764	\$ 18,445	\$ 35,209
Inventories	3,833	-	3,833
Capital assets, net of accumulated depreciation	<u>5,202</u>	<u>-</u>	<u>5,202</u>
Total assets	<u>\$ 25,799</u>	<u>\$ 18,445</u>	<u>\$ 44,244</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 5,202	\$ -	\$ 5,202
Unrestricted	<u>20,597</u>	<u>18,445</u>	<u>39,042</u>
Total net assets	<u>\$ 25,799</u>	<u>\$ 18,445</u>	<u>\$ 44,244</u>

## REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -

## PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 91,906	\$ -	\$ 91,906
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	\$ 51,217	\$ -	\$ 51,217
Benefits	6,701	-	6,701
Purchased services	1,118	-	1,118
Supplies	88,091	-	88,091
Depreciation	1,317	-	1,317
Building trades:			
Purchased goods and services	-	94	94
Long-term debt interest	-	2,150	2,150
Total operating expenses	<u>\$ 148,444</u>	<u>\$ 2,244</u>	<u>\$ 150,688</u>
Operating loss	<u>\$ (56,538)</u>	<u>\$ (2,244)</u>	<u>\$ (58,782)</u>
Non-operating revenues:			
Interest income	\$ 808	\$ 374	\$ 1,182
State sources	2,161	-	2,161
Federal sources	41,448	-	41,448
Food distribution	10,673	-	10,673
Sale of land and building	-	23,883	23,883
Total non-operating revenues	<u>\$ 55,090</u>	<u>\$ 24,257</u>	<u>\$ 79,347</u>
Change in net assets	\$ (1,448)	\$ 22,013	\$ 20,565
Net assets beginning of year	<u>27,247</u>	<u>(3,568)</u>	<u>23,679</u>
Net assets end of year	<u>\$ 25,799</u>	<u>\$ 18,445</u>	<u>\$ 44,244</u>

## REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

## STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2006

	School <u>Nutrition</u>	Building <u>Trades</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 91,906	\$ -	\$ 91,906
Cash paid to employees for services	(57,918)	-	(57,918)
Cash paid to suppliers for goods or services	<u>(77,042)</u>	<u>(2,244)</u>	<u>(79,286)</u>
Net cash used by operating activities	<u>\$ (43,054)</u>	<u>\$ (2,244)</u>	<u>\$ (45,298)</u>
Cash flows from non-capital financing activities:			
State grants received	\$ 2,161	\$ -	\$ 2,161
Federal grants received	<u>41,448</u>	<u>-</u>	<u>41,448</u>
Net cash provided by non-capital financing activities	<u>\$ 43,609</u>	<u>\$ -</u>	<u>\$ 43,609</u>
Cash flows from investing activities:			
Purchase of property and equipment	\$ (3,624)	\$ -	\$ (3,624)
Purchase of land and building held for sale	-	(5,764)	(5,764)
Proceeds from sale of land and building, net	-	156,262	156,262
Interest on investments	<u>808</u>	<u>374</u>	<u>1,182</u>
Net cash (used) provided by investing activities:	<u>\$ (2,816)</u>	<u>\$ 150,872</u>	<u>\$ 148,056</u>
Cash flows from financing activities:			
Retirement of note payable	<u>\$ -</u>	<u>\$ (131,136)</u>	<u>\$ (131,136)</u>
Net change in cash and cash equivalents	\$ (2,261)	\$ 17,492	\$ 15,231
Cash and cash equivalents beginning of year	<u>19,025</u>	<u>953</u>	<u>19,978</u>
Cash and cash equivalents end of year	<u>\$ 16,764</u>	<u>\$ 18,445</u>	<u>\$ 35,209</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (56,538)	\$ (2,244)	\$ (58,782)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	11,445	-	11,445
Depreciation	1,317	-	1,317
Decrease in inventories	<u>722</u>	<u>-</u>	<u>722</u>
Net cash used by operating activities	<u>\$ (43,054)</u>	<u>\$ (2,244)</u>	<u>\$ (45,298)</u>

## Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$10,673 of federal commodities.

During the year ended June 30, 2006, the District capitalized interest expense of \$2,150 into its note payable.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Remsen-Union Community School District (the District) is a political subdivision of the State of Iowa and operates public schools for children in grades transitional kindergarten through twelve. In addition, the District either operates or sponsors various adult education programs. The geographic areas served includes the City of Remsen, Iowa, and the predominant agricultural territory in Plymouth County, Iowa. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

- A. Reporting Entity - For financial reporting purposes, the 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 GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the GASB criteria.
- B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Invested in Capital Assets, Net of Related Debt - Consists of capital assets, net of accumulated depreciation, reduced by outstanding balances for bonds, attributable to the acquisition, construction or improvement of those assets plus unspent bond proceeds.

Restricted Net Assets - Result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - Consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

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

The Physical Plant and Equipment Levy (PPEL) is used to account for certain costs, primarily land and facilities, improvements and transportation equipment.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

The District reports the following major proprietary funds:

The District's proprietary funds consist of the School Nutrition and Building Trades Funds. The School Nutrition Fund is used to account for the food service operations. The Building Trades Fund is used to account for the purchase of land and materials used to build a house as part of a student instructional project.

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

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

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

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

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 except for those that conflict with or contradict GASB pronouncements.

Proprietary funds distinguished 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.

D. Assets, Liabilities and Fund Equity

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

Cash and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, 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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property tax receivable is recognized in these funds on the legally enforceable claim date, which is the date that the tax asking is certified by the Board of Education. Current year 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 1-1/2 percent per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

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

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 \$1,000 and estimated useful lives in excess of two years.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-15 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

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

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

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded budgeted amounts in the other expenditures function.

NOTE 2 - CASH AND CASH EQUIVALENTS:

The District's deposits in banks at June 30, 2006 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 ensure 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.

At June 30, 2006, the District had investments as follows:

Cash	\$ 1,618,426
Certificates of Deposit	<u>600,000</u>
	<u>\$ 2,218,426</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 3 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2006 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Capital assets being depreciated:				
Buildings and improvements	\$ 3,197,605	\$ 166,471	\$ -	\$ 3,364,076
Vehicles	397,807	54,646	-	452,453
Machinery and equipment	<u>663,808</u>	<u>33,574</u>	<u>(74,309)</u>	<u>623,073</u>
Total capital assets being depreciated	<u>\$ 4,259,220</u>	<u>\$ 254,691</u>	<u>\$ (74,309)</u>	<u>\$ 4,439,602</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 752,858	\$ 66,669	\$ -	\$ 819,527
Vehicles	293,428	24,281	-	317,709
Machinery and equipment	<u>526,184</u>	<u>38,998</u>	<u>(73,770)</u>	<u>491,412</u>
Total accumulated depreciation	<u>\$ 1,572,470</u>	<u>\$ 129,948</u>	<u>\$ (73,770)</u>	<u>\$ 1,628,648</u>
Total capital assets being depreciated, net	<u>\$ 2,686,750</u>	<u>\$ 124,743</u>	<u>\$ (539)</u>	<u>\$ 2,810,954</u>
Total governmental activities capital assets, net	<u>\$ 2,736,750</u>	<u>\$ 124,743</u>	<u>\$ (539)</u>	<u>\$ 2,860,954</u>
Add: Accumulated depreciation				<u>1,628,648</u>
Total capital assets				<u>\$ 4,489,602</u>
Business type activities:				
Furniture and equipment	\$ 21,767	\$ 3,624	\$ -	\$ 25,391
Less accumulated depreciation	<u>18,872</u>	<u>1,317</u>	<u>-</u>	<u>20,189</u>
Business type activities capital assets, net	<u>\$ 2,895</u>	<u>\$ 2,307</u>	<u>\$ -</u>	<u>\$ 5,202</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 3 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 54,830
Special	13,219
Other	9,996

Support services:

Student	2,473
Instructional staff	1,596
Administration	14,022
Operation and maintenance of plant	9,531
Transportation	<u>24,281</u>

Total depreciation expense - governmental activities \$ 129,948

Business type activities:

Food service operations	<u>\$ 1,317</u>
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NOTE 4 - LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation capital loan notes	\$ 1,770,000	\$ -	\$ 205,000	\$ 1,565,000	\$ 205,000
Note payable	131,136	-	131,136	-	-
Early retirement	-	<u>116,387</u>	-	<u>116,387</u>	<u>10,560</u>
Total	<u>\$ 1,901,136</u>	<u>\$ 116,387</u>	<u>\$ 336,136</u>	<u>\$ 1,681,387</u>	<u>\$ 215,560</u>

Early Retirement - The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least fifty-five and must have completed ten years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee will be based on the age of the applicant as of July 1 and the total salary of the applicant during the most recently completed school year. During the year ended June 30, 2006 additions to early retirement totaled \$116,387. No benefits were paid during the year ended June 30, 2006. The total liability for early retirement are recorded as long-term liabilities in the governmental-wide financial statements.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED):

Details of the District's June 30, 2006 general obligation capital loan notes are as follows:

Year Ending <u>June 30,</u>	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	1.95%	\$ 205,000	\$ 42,988	\$ 247,988
2008	2.30%	210,000	38,990	248,990
2009	2.55%	215,000	34,160	249,160
2010	2.85%	225,000	28,678	253,678
2011	3.00%	230,000	22,266	252,266
2012	3.15%	235,000	15,366	250,366
2013	3.25%	<u>245,000</u>	<u>7,961</u>	<u>252,961</u>
		<u>\$ 1,565,000</u>	<u>\$ 190,409</u>	<u>\$ 1,755,409</u>

NOTE 5 - PENSION AND RETIREMENT BENEFITS:

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

Plan members are required to contribute 3.70 percent of their annual covered salary and the District is required to contribute 5.75 percent of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$110,742, \$105,660 and \$103,715, respectively, equal to the required contributions for each year.

NOTE 6 - INTERFUND TRANSFERS:

During the year ended June 30, 2006, \$248,137 was transferred from the PPEL Fund to the Debt Service Fund in order to provide for principal and interest payments on the District's long-term debt.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 7 - RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 - AREA EDUCATION AGENCY:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$148,366 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES

IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2006

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Local sources	\$ 2,479,736	\$ 118,214
State sources	1,502,553	2,161
Federal sources	<u>145,989</u>	<u>41,448</u>
Total receipts	<u>\$ 4,128,278</u>	<u>\$ 161,823</u>
Disbursements:		
Instruction	\$ 2,327,602	\$ -
Support services	1,019,182	-
Non-instructional programs	-	146,592
Other expenditures	<u>633,476</u>	<u>-</u>
Total disbursements	<u>\$ 3,980,260</u>	<u>\$ 146,592</u>
Excess of receipts over disbursements	\$ 148,018	\$ 15,231
Balances beginning of year	<u>2,035,199</u>	<u>19,978</u>
Balances end of year	<u><u>\$ 2,183,217</u></u>	<u><u>\$ 35,209</u></u>

See accompanying independent auditor's report.

Total <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 2,597,950	\$ 1,808,727	\$ 1,808,727	\$ 789,223
1,504,714	2,099,092	2,099,092	(594,378)
<u>187,437</u>	<u>189,018</u>	<u>189,018</u>	<u>(1,581)</u>
<u>\$ 4,290,101</u>	<u>\$ 4,096,837</u>	<u>\$ 4,096,837</u>	<u>\$ 193,264</u>
\$ 2,327,602	\$ 2,436,433	\$ 2,514,340	\$ 186,738
1,019,182	999,226	1,047,834	28,652
146,592	136,589	156,310	9,718
<u>633,476</u>	<u>561,970</u>	<u>572,261</u>	<u>(61,215)</u>
<u>\$ 4,126,852</u>	<u>\$ 4,134,218</u>	<u>\$ 4,290,745</u>	<u>\$ 163,893</u>
\$ 163,249	<u>\$ (37,381)</u>	<u>\$ (193,908)</u>	<u>\$ 357,157</u>
<u>2,055,177</u>			
<u>\$ 2,218,426</u>			

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2006

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 4,128,278	\$ (16,945)	\$ 4,111,333
Expenditures	<u>3,980,260</u>	<u>27,767</u>	<u>4,008,027</u>
Net	\$ 148,018	\$ (44,712)	\$ 103,306
Beginning balance	<u>2,035,199</u>	<u>(217,883)</u>	<u>1,817,316</u>
Ending balance	<u>\$ 2,183,217</u>	<u>\$ (262,595)</u>	<u>\$ 1,920,622</u>

  

	<u>Proprietary Fund</u>		
	<u>Enterprise</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
Revenues	\$ 161,823	\$ 9,430	\$ 171,253
Expenses	<u>146,592</u>	<u>4,096</u>	<u>150,688</u>
Net	\$ 15,231	\$ 5,334	\$ 20,565
Beginning net assets	<u>19,978</u>	<u>3,701</u>	<u>23,679</u>
Ending net assets	<u>\$ 35,209</u>	<u>\$ 9,035</u>	<u>\$ 44,244</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Government 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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. 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. There were no budget amendments during the year.

During the year ended June 30, 2006, expenditures exceeded budgeted amounts in the other expenditures function.

## OTHER SUPPLEMENTARY INFORMATION

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR FUNDS

JUNE 30, 2006

ASSETS

	<u>Management Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>	<u>Total</u>
Cash and pooled investments	\$ 32,423	\$ 46,703	\$ -	\$ 79,126
Receivables:				
Property tax:				
Current year	860	-	-	860
Succeeding year	<u>73,335</u>	<u>-</u>	<u>-</u>	<u>73,335</u>
Total assets	<u>\$ 106,618</u>	<u>\$ 46,703</u>	<u>\$ -</u>	<u>\$ 153,321</u>

LIABILITIES AND FUND EQUITY

Liabilities:				
Deferred revenue:				
Succeeding year property tax	<u>\$ 73,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,335</u>
Fund equity:				
Unreserved fund balances	<u>\$ 33,283</u>	<u>\$ 46,703</u>	<u>\$ -</u>	<u>\$ 79,986</u>
Total liabilities and fund equity	<u>\$ 106,618</u>	<u>\$ 46,703</u>	<u>\$ -</u>	<u>\$ 153,321</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR FUNDS

YEAR ENDED JUNE 30, 2006

	<u>Management Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 60,122	\$ -	\$ -	\$ 60,122
Other	<u>199</u>	<u>92,302</u>	<u>-</u>	<u>92,501</u>
Total revenues	<u>\$ 60,321</u>	<u>\$ 92,302</u>	<u>\$ -</u>	<u>\$ 152,623</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 7,341	\$ -	\$ -	\$ 7,341
Special instruction	254	-	-	254
Other instruction	<u>665</u>	<u>95,069</u>	<u>-</u>	<u>95,734</u>
Total instruction	<u>\$ 8,260</u>	<u>\$ 95,069</u>	<u>\$ -</u>	<u>\$ 103,329</u>
Support services:				
Student services	\$ 349	\$ -	\$ -	\$ 349
Administration services	1,849	-	-	1,849
Operation and maintenance of plant services	49,616	-	-	49,616
Transportation services	<u>5,619</u>	<u>-</u>	<u>-</u>	<u>5,619</u>
Total support services	<u>\$ 57,433</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,433</u>
Other expenditures:				
Long-term debt:				
Principal	\$ -	\$ -	\$ 205,000	\$ 205,000
Interest	<u>-</u>	<u>-</u>	<u>46,773</u>	<u>46,773</u>
Total long-term debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,773</u>	<u>\$ 251,773</u>
Total other expenditures	<u>\$ 65,693</u>	<u>\$ 95,069</u>	<u>\$ 251,773</u>	<u>\$ 412,535</u>
Deficiency of revenues under expenditures	\$ (5,372)	\$ (2,767)	\$ (251,773)	\$ (259,912)
Other financing sources:				
Transfers in	-	-	248,137	248,137
Fund balances beginning of year	<u>38,655</u>	<u>49,470</u>	<u>3,636</u>	<u>91,761</u>
Fund balances end of year	<u>\$ 33,283</u>	<u>\$ 46,703</u>	<u>\$ -</u>	<u>\$ 79,986</u>

See accompanying independent auditor's report.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2006

ACCOUNT:	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 8,545	\$ 36,098	\$ 41,688	\$ 2,955
Class of 2001	(80)	-	-	(80)
Class of 2002	542	-	-	542
Class of 2003	402	-	-	402
Class of 2004	267	-	-	267
Class of 2005	727	-	16	711
Class of 2006	1,740	2,403	2,693	1,450
Class of 2007	3,255	323	2,304	1,274
Class of 2008	3,129	1,316	46	4,399
Class of 2009	2,170	196	32	2,334
Class of 2010	801	1,618	893	1,526
Class of 2011	1,489	2,878	1,612	2,755
Class of 2012	-	2,951	1,734	1,217
Have club	10,938	32,271	34,181	9,028
Annual	1,460	4,078	4,141	1,397
Student council	(973)	1,775	100	702
Middle school student council	185	-	1,173	(988)
Cheerleaders	1,169	684	935	918
Drill team	618	1,601	1,723	496
National Honor Society	15	1,545	503	1,057
Renaissance	13,071	2,565	1,295	14,341
Total	\$ 49,470	\$ 92,302	\$ 95,069	\$ 46,703

REMSEN-UNION COMMUNITY SCHOOL DISTRICTSCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTIONALL GOVERNMENTAL FUNDSFOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues:				
Local sources:				
Local tax	\$ 2,142,768	\$ 2,092,341	\$ 2,008,984	\$ 1,645,341
Tuition	76,666	81,513	85,364	63,168
Other	242,311	220,991	244,467	199,364
State sources	1,502,553	1,431,003	1,203,310	1,515,992
Federal sources	145,989	163,385	170,359	140,385
Other financing sources	<u>1,046</u>	<u>1,030</u>	<u>9,937</u>	<u>2,154,820</u>
Total	<u>\$ 4,111,333</u>	<u>\$ 3,990,263</u>	<u>\$ 3,722,421</u>	<u>\$ 5,719,070</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,654,632	\$ 1,553,061	\$ 1,539,849	\$ 1,484,744
Special instruction	398,928	463,054	418,707	390,874
Other instruction	301,809	386,410	377,883	361,844
Support services:				
Student services	74,742	29,485	13,251	69,230
Instructional staff services	48,100	45,211	40,812	44,913
Administration services	423,139	330,116	253,594	305,275
Operation and maintenance of plant services	287,532	272,427	296,998	289,133
Transportation services	185,669	165,703	168,367	194,836
Other expenditures:				
Facilities acquisition	233,337	488,221	1,731,306	103,996
Long-term debt:				
Principal	205,000	200,000	200,000	-
Interest and other charges	46,773	49,572	47,733	-
AEA flow through	<u>148,366</u>	<u>146,568</u>	<u>147,379</u>	<u>159,867</u>
Total	<u>\$ 4,008,027</u>	<u>\$ 4,129,828</u>	<u>\$ 5,235,879</u>	<u>\$ 3,404,712</u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of  
Remsen-Union Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the remaining fund information of Remsen-Union Community School District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-06.



To the Board of Education  
Remsen-Union Community School District

### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

October 18, 2006  
Sioux City, Iowa

*King, Reinsch, Prosser & Co., L.L.P.*

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-06     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. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or irregularities. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for many accounting and financial duties of the general, special revenue and debt service funds as well as the enterprise fund.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions.

Response - The District understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District will review its procedures and implement changes as deemed necessary.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting

II-A-06     Certified Budget - Disbursements for the year ended June 30, 2006 exceeded the certified budget amounts in the other expenditures function.

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

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2006

(CONTINUED)

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

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense - No expenditures of District money for travel expenses for spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-06 Business Transactions - We noted no business transactions between the District and District officials or employees that would appear to constitute a conflict of interest.
- II-E-06 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 that the coverage is adequate for current operations.
- II-F-06 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II- H-06 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II- I-06 Certified Annual Report - The Certified Annual Report (CAR) was certified to the Department of Education timely.