

REMSEN-UNION
COMMUNITY SCHOOL DISTRICT

Remsen, Iowa

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

June 30, 2007

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

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REMSEN-UNION COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>BOARD OF EDUCATION</u> (Before September 2006 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>BOARD OF EDUCATION</u> (After September 2006 Election)		
Mark Wurth	President	September 2009
Rich Van Dam	Vice President	September 2007
Travis Tentinger	Board Member	September 2009
Shirley Schroeder	Board Member	September 2007
Arlie Pick	Board Member	September 2008

<u>SCHOOL OFFICIALS</u>		
Ken Howard	Superintendent	June 30, 2007
Clint Leonard	Secretary/Treasurer	June 30, 2007
Barry Thompson	Attorney	Indefinite
James Hanks	Attorney	Indefinite



KING, REINSCH, PROSSER & CO., L.L.P.
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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, 2007, 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 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. 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, 2007 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 January 3, 2008, 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 and 32 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 required supplementary information. However, 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. 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.

January 3, 2008
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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 Financial Highlights

- General Fund revenues increased from \$3,374,431 in fiscal 2006 to \$3,497,361 in fiscal 2007, and General Fund expenditures increased from \$3,362,155 in fiscal 2006 to \$3,466,384 in fiscal 2007. The District's General Fund balance increased from \$1,414,535 in fiscal 2006 to \$1,457,172 in fiscal 2007, a 3.0% increase.
- The increase in General Fund revenues was primarily attributable to increased state and federal revenues and investment earnings. The increase in General Fund expenditures was primarily due to increased staff levels and raises in staff pay. 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, 2007 and 2006.

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

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2007	2006	2007	2006	2007	2006	2006-2007
Current and other assets	\$ 4,332	\$ 4,131	\$ 23	\$ 39	\$ 4,355	\$ 4,170	4.4%
Capital assets, net	2,995	2,861	5	5	3,000	2,866	4.7%
Total assets	<u>\$ 7,327</u>	<u>\$ 6,992</u>	<u>\$ 28</u>	<u>\$ 44</u>	<u>\$ 7,355</u>	<u>\$ 7,036</u>	<u>4.5%</u>
Long-term liabilities	\$ 1,494	\$ 1,681	\$ -	\$ -	\$ 1,494	\$ 1,681	-11.1%
Other liabilities	2,313	2,216	-	-	2,313	2,216	4.4%
Total liabilities	<u>\$ 3,807</u>	<u>\$ 3,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,807</u>	<u>\$ 3,897</u>	<u>-2.3%</u>
Net assets:							
Invested in capital assets, net of related debt	\$ 1,635	\$ 1,296	\$ 5	\$ 5	\$ 1,640	\$ 1,301	26.1%
Restricted	542	473	-	-	542	473	14.6%
Unrestricted	1,343	1,326	23	39	1,366	1,365	0.0%
Total net assets	<u>\$ 3,520</u>	<u>\$ 3,095</u>	<u>\$ 28</u>	<u>\$ 44</u>	<u>\$ 3,548</u>	<u>\$ 3,139</u>	<u>13.0%</u>

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, 2007 and 2006.

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

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2007	2006	2007	2006	2007	2006	2006-2007
Revenues:							
Program revenues:							
Charges for services	\$ 263	\$ 257	\$ 99	\$ 92	\$ 362	\$ 349	3.7%
Operating grants, contributions and restricted interest	604	533	52	54	656	587	11.8%
General revenues:							
Property tax	1,864	1,876	-	-	1,864	1,876	-1.0%
Local option sales tax	239	267	-	-	239	267	-10.5%
Unrestricted state grants	1,197	1,115	-	-	1,197	1,115	7.4%
Unrestricted investment earnings	71	62	1	1	72	63	14.3%
Other	11	1	(11)	24	-	25	-100.0%
Total revenues	\$ 4,249	\$ 4,111	\$ 141	\$ 171	\$ 4,390	\$ 4,282	2.5%
Program expenses:							
Instruction	\$ 2,520	\$ 2,415	\$ -	\$ -	\$ 2,520	\$ 2,415	4.3%
Support services	1,104	1,184	-	-	1,104	1,184	-6.8%
Non-instructional programs	-	-	157	151	157	151	4.0%
Other expenses	200	196	-	-	200	196	2.0%
Total expenses	\$ 3,824	\$ 3,795	\$ 157	\$ 151	\$ 3,981	\$ 3,946	1.0%
Change in net assets	\$ 425	\$ 316	\$ (16)	\$ 20	\$ 409	\$ 336	21.7%

Property tax and unrestricted state grants account for 69.7% of the total revenue (69.9% in 2006). The District's expenses primarily relate to instruction and support services, which account for 91.0% of the total expenses (91.2% in 2006).

Governmental Activities - Revenues for governmental activities were \$4,249,304 and expenses were \$3,824,214. 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, 2007 and 2006: 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
			Change			Change
	<u>2007</u>	<u>2006</u>	<u>2006-2007</u>	<u>2007</u>	<u>2006</u>	<u>2006-2007</u>
Instruction	\$ 2,520	\$ 2,415	4.3%	\$ 1,878	\$ 1,842	2.0%
Support services	1,104	1,184	-6.8%	1,036	1,116	-7.2%
Other expenses	200	196	2.0%	44	47	-6.4%
Totals	<u>\$ 3,824</u>	<u>\$ 3,795</u>	<u>1.0%</u>	<u>\$ 2,958</u>	<u>\$ 3,005</u>	<u>-1.6%</u>

- The cost financed by users of the District's programs was \$262,855 (\$256,712 in 2006).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$603,680 (\$533,332 in 2006).
- The net cost of governmental activities was financed with \$2,103,137 in property and other taxes (\$2,142,767 in 2006) and \$1,197,237 in unrestricted state grants (\$1,115,210 in 2006).

Business Type Activities - Revenues for business type activities were \$140,423 (\$171,253 in 2006) and expenses were \$156,688 including at \$10,900 transfer to the General Fund (\$150,688 in 2006). 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 \$2,023,817, above last year's ending fund balances of \$1,920,622. The District's proprietary funds reported end of year net assets of \$27,979, below last year's ending net assets of \$44,244.

Governmental Fund Highlights

The District's General Fund maintains a strong financial position with \$1,457,172 in its fund balance at June 30, 2007. 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 \$79,734 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 \$140,423 and expenses were \$156,688 including a \$10,900 transfer to the General Fund. 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 and federal sources were greater than budget and actual receipts from state sources less than budget due to unexpected changes in revenue sources.

The District's actual instruction, support services, non-instructional expenditures and other expenditures were less than budget due to less than expected staff levels.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2007, the District had invested \$2,999,421, 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 \$144,006.

The original cost of the District's capital assets was \$4,774,440. Governmental funds account for \$4,749,049, 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
	2007	2006	2007	2006	2007	2006	2006-2007
Land	\$ 50	\$ 50	\$ -	\$ -	\$ 50	\$ 50	0.0%
Buildings and improvements	2,611	2,544	-	-	2,611	2,544	2.6%
Vehicles	172	135	-	-	172	135	27.4%
Machinery and equipment	161	132	5	5	166	137	21.2%
Totals	\$ 2,994	\$ 2,861	\$ 5	\$ 5	\$ 2,999	\$ 2,866	4.6%

Long-Term Debt - At June 30, 2007, the District had \$1,360,000 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.

The District has entered into a \$1,178,300 contract for the construction of a media center and administrative addition and the remodeling of classrooms. This project will be paid for primarily with \$950,000 School Infrastructure Local Option Sales and Services Tax Revenue Bonds which will be repaid with local option sales tax proceeds.

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 ASSETS

JUNE 30, 2007

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 2,301,433	\$ 18,297	\$ 2,319,730
Receivables:			
Property tax:			
Current year	22,927	-	22,927
Succeeding year	1,875,330	-	1,875,330
Accounts	99,063	-	99,063
Prepaid expenses	28,260	-	28,260
Inventories	5,083	5,099	10,182
Capital assets, net of accumulated depreciation	<u>2,994,837</u>	<u>4,583</u>	<u>2,999,420</u>
Total assets	<u>\$ 7,326,933</u>	<u>\$ 27,979</u>	<u>\$ 7,354,912</u>
LIABILITIES:			
Accounts payable	\$ 99,665	\$ -	\$ 99,665
Salaries and benefits payable	332,075	-	332,075
Accrued interest payable	5,213	-	5,213
Deferred revenue - succeeding year property tax	1,875,330	-	1,875,330
Other deferred revenue	1,209	-	1,209
Long-term liabilities:			
Early retirement payable - due within one year	16,767	-	16,767
Early retirement payable - due after one year	117,131	-	117,131
General obligation capital loan notes - due within one year	210,000	-	210,000
General obligation capital loan notes - due after one year	<u>1,150,000</u>	<u>-</u>	<u>1,150,000</u>
Total liabilities	<u>\$ 3,807,390</u>	<u>\$ -</u>	<u>\$ 3,807,390</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 1,634,837	\$ 4,583	\$ 1,639,420
Restricted for:			
Physical plant and equipment levy	26,906	-	26,906
Other special revenue purposes	61,420	-	61,420
Capital projects	453,467	-	453,467
Unrestricted	<u>1,342,913</u>	<u>23,396</u>	<u>1,366,309</u>
Total net assets	<u>\$ 3,519,543</u>	<u>\$ 27,979</u>	<u>\$ 3,547,522</u>
Total liabilities and net assets	<u>\$ 7,326,933</u>	<u>\$ 27,979</u>	<u>\$ 7,354,912</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,699,473	\$ 155,288	\$ 378,554
Special instruction	462,384	-	734
Other instruction	<u>357,844</u>	<u>107,567</u>	<u>-</u>
	<u>\$ 2,519,701</u>	<u>\$ 262,855</u>	<u>\$ 379,288</u>
Support services:			
Student services	\$ 82,589	\$ -	\$ -
Instructional staff services	41,321	-	-
Administration services	443,344	-	-
Operation and maintenance of plant services	321,128	-	-
Transportation services	<u>215,837</u>	<u>-</u>	<u>68,192</u>
	<u>\$ 1,104,219</u>	<u>\$ -</u>	<u>\$ 68,192</u>
Other expenditures:			
Long-term debt interest	\$ 42,765	\$ -	\$ -
Loss on disposal of capital assets	1,329	-	-
AEA flow through	<u>156,200</u>	<u>-</u>	<u>156,200</u>
	<u>\$ 200,294</u>	<u>\$ -</u>	<u>\$ 156,200</u>
Total governmental activities	<u>\$ 3,824,214</u>	<u>\$ 262,855</u>	<u>\$ 603,680</u>
Business type activities:			
Non-instructional programs:			
Food service operations	\$ 156,688	\$ 98,548	\$ 51,554
Total business type activities	<u>\$ 156,688</u>	<u>\$ 98,548</u>	<u>\$ 51,554</u>
Total	<u>\$ 3,980,902</u>	<u>\$ 361,403</u>	<u>\$ 655,234</u>
GENERAL REVENUES:			
Property tax levied for:			
General purposes			
Management levy			
Physical plant and equipment levy			
Local option sales tax			
Unrestricted state grants			
Unrestricted investment earnings			
Transfers			
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>
\$ (1,165,631)	\$ -	\$ (1,165,631)
(461,650)	-	(461,650)
<u>(250,277)</u>	<u>-</u>	<u>(250,277)</u>
\$ <u>(1,877,558)</u>	\$ <u>-</u>	\$ <u>(1,877,558)</u>
\$ (82,589)	\$ -	\$ (82,589)
(41,321)	-	(41,321)
(443,344)	-	(443,344)
(321,128)	-	(321,128)
<u>(147,645)</u>	<u>-</u>	<u>(147,645)</u>
\$ <u>(1,036,027)</u>	\$ <u>-</u>	\$ <u>(1,036,027)</u>
\$ (42,765)	\$ -	\$ (42,765)
(1,329)	-	(1,329)
<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>(44,094)</u>	\$ <u>-</u>	\$ <u>(44,094)</u>
\$ (2,957,679)	\$ -	\$ (2,957,679)
\$ -	\$ (6,586)	\$ (6,586)
\$ -	\$ (6,586)	\$ (6,586)
\$ <u>(2,957,679)</u>	\$ <u>(6,586)</u>	\$ <u>(2,964,265)</u>
\$ 1,484,940	\$ -	\$ 1,484,940
75,150	-	75,150
303,484	-	303,484
239,563	-	239,563
1,197,237	-	1,197,237
71,495	1,221	72,716
<u>10,900</u>	<u>(10,900)</u>	<u>-</u>
\$ <u>3,382,769</u>	\$ <u>(9,679)</u>	\$ <u>3,373,090</u>
\$ 425,090	\$ (16,265)	\$ 408,825
<u>3,094,453</u>	<u>44,244</u>	<u>3,138,697</u>
\$ <u>3,519,543</u>	\$ <u>27,979</u>	\$ <u>3,547,522</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICTBALANCE SHEET - GOVERNMENTAL FUNDSJUNE 30, 2007

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
ASSETS:				
Cash and pooled investments	\$ 1,713,523	\$ 467,413	\$ 120,497	\$ 2,301,433
Receivables:				
Property tax:				
Current year	17,881	-	5,046	22,927
Succeeding year	1,503,678	-	371,652	1,875,330
Accounts	78,706	20,357	-	99,063
Prepaid expenses	28,260	-	-	28,260
Inventory	<u>5,083</u>	<u>-</u>	<u>-</u>	<u>5,083</u>
Total assets	<u>\$ 3,347,131</u>	<u>\$ 487,770</u>	<u>\$ 497,195</u>	<u>\$ 4,332,096</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 52,997	\$ 34,303	\$ 12,365	\$ 99,665
Salaries and benefits payable	332,075	-	-	332,075
Deferred revenue:				
Succeeding year property tax	1,503,678	-	371,652	1,875,330
Other	<u>1,209</u>	<u>-</u>	<u>-</u>	<u>1,209</u>
Total liabilities	<u>\$ 1,889,959</u>	<u>\$ 34,303</u>	<u>\$ 384,017</u>	<u>\$ 2,308,279</u>
Fund balances:				
Unreserved	<u>\$ 1,457,172</u>	<u>\$ 453,467</u>	<u>\$ 113,178</u>	<u>\$ 2,023,817</u>
Total liabilities and fund balances	<u>\$ 3,347,131</u>	<u>\$ 487,770</u>	<u>\$ 497,195</u>	<u>\$ 4,332,096</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET ASSETS

JUNE 30, 2007

Total fund balances of governmental funds	\$ 2,023,817
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.	2,994,837
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.	(5,213)
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>(1,493,898)</u>
Net assets of governmental activities	<u>\$ 3,519,543</u>

REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 1,484,941	\$ 239,562	\$ 378,634	\$ 2,103,137
Tuition	79,246	-	-	79,246
Other	132,256	11,611	111,237	255,104
State sources	1,623,109	-	-	1,623,109
Federal sources	177,809	-	-	177,809
Total revenues	<u>\$ 3,497,361</u>	<u>\$ 251,173</u>	<u>\$ 489,871</u>	<u>\$ 4,238,405</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,637,217	\$ -	\$ 7,501	\$ 1,644,718
Special instruction	447,243	-	243	447,486
Other instruction	251,973	-	94,340	346,313
	<u>\$ 2,336,433</u>	<u>\$ -</u>	<u>\$ 102,084</u>	<u>\$ 2,438,517</u>
Support services:				
Student services	\$ 79,595	\$ -	\$ 331	\$ 79,926
Instructional staff services	39,990	-	-	39,990
Administration services	421,001	-	11,794	432,795
Operation and maintenance of plant services	258,214	-	55,545	313,759
Transportation services	174,951	-	7,536	182,487
	<u>\$ 973,751</u>	<u>\$ -</u>	<u>\$ 75,206</u>	<u>\$ 1,048,957</u>
Other expenditures:				
Facilities acquisition	\$ -	\$ 171,439	\$ 83,469	\$ 254,908
Long-term debt:				
Principal	-	-	205,000	205,000
Interest	-	-	43,288	43,288
AEA flow through	156,200	-	-	156,200
	<u>\$ 156,200</u>	<u>\$ 171,439</u>	<u>\$ 331,757</u>	<u>\$ 659,396</u>
Total expenditures	<u>\$ 3,466,384</u>	<u>\$ 171,439</u>	<u>\$ 509,047</u>	<u>\$ 4,146,870</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ 30,977</u>	<u>\$ 79,734</u>	<u>\$ (19,176)</u>	<u>\$ 91,535</u>
Other financing sources:				
Sale of equipment	\$ 760	\$ -	\$ -	\$ 760
Transfers in	10,900	-	248,288	259,188
Transfers out	-	-	(248,288)	(248,288)
	<u>\$ 11,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,660</u>
Net change in fund balances	\$ 42,637	\$ 79,734	\$ (19,176)	\$ 103,195
Fund balances beginning of year	1,414,535	373,733	132,354	1,920,622
Fund balances end of year	<u>\$ 1,457,172</u>	<u>\$ 453,467</u>	<u>\$ 113,178</u>	<u>\$ 2,023,817</u>

See notes to financial statements.

REMSEN-UNION 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, 2007

Net change in fund balances - total governmental funds \$ 103,195

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 \$ 279,359
Depreciation expense (143,387) 135,972

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

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. (2,089)

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. 523

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. (17,511)

Change in net assets of governmental activities \$ 425,090

REMSEN-UNION COMMUNITY SCHOOL DISTRICTSTATEMENTS OF NET ASSETS - PROPRIETARY FUNDSJUNE 30, 2007

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 10,306	\$ 7,991	\$ 18,297
Inventories	5,099	-	5,099
Capital assets, net of accumulated depreciation	<u>4,583</u>	<u>-</u>	<u>4,583</u>
Total assets	<u>\$ 19,988</u>	<u>\$ 7,991</u>	<u>\$ 27,979</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 4,583	\$ -	\$ 4,583
Unrestricted	<u>15,405</u>	<u>7,991</u>	<u>23,396</u>
Total net assets	<u>\$ 19,988</u>	<u>\$ 7,991</u>	<u>\$ 27,979</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICTSTATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -PROPRIETARY FUNDSYEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 98,548	\$ -	\$ 98,548
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	\$ 53,542	\$ -	\$ 53,542
Benefits	7,040	-	7,040
Purchased services	1,084	-	1,084
Supplies	94,403	-	94,403
Depreciation	619	-	619
Total operating expenses	<u>\$ 156,688</u>	<u>\$ -</u>	<u>\$ 156,688</u>
Operating loss	<u>\$ (58,140)</u>	<u>\$ -</u>	<u>\$ (58,140)</u>
Non-operating revenues:			
Interest income	\$ 775	\$ 446	\$ 1,221
State sources	2,083	-	2,083
Federal sources	38,600	-	38,600
Food distribution	10,871	-	10,871
Total non-operating revenues	<u>\$ 52,329</u>	<u>\$ 446</u>	<u>\$ 52,775</u>
(Loss) income before transfers	\$ (5,811)	\$ 446	\$ (5,365)
Transfers:			
Transfers out	-	(10,900)	(10,900)
Change in net assets	\$ (5,811)	\$ (10,454)	\$ (16,265)
Net assets beginning of year	<u>25,799</u>	<u>18,445</u>	<u>44,244</u>
Net assets end of year	<u>\$ 19,988</u>	<u>\$ 7,991</u>	<u>\$ 27,979</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 98,548	\$ -	\$ 98,548
Cash paid to employees for services	(60,582)	-	(60,582)
Cash paid to suppliers for goods or services	(85,882)	-	(85,882)
Net cash used by operating activities	<u>\$ (47,916)</u>	<u>\$ -</u>	<u>\$ (47,916)</u>
Cash flows from non-capital financing activities:			
State grants received	\$ 2,083	\$ -	\$ 2,083
Federal grants received	38,600	-	38,600
Net cash provided by non-capital financing activities	<u>\$ 40,683</u>	<u>\$ -</u>	<u>\$ 40,683</u>
Cash flows from investing activities:			
Interest on investments	\$ 775	\$ 446	\$ 1,221
Net cash provided by investing activities:	<u>\$ 775</u>	<u>\$ 446</u>	<u>\$ 1,221</u>
Cash flows from financing activities:			
Transfer to general fund	\$ -	\$ (10,900)	\$ (10,900)
Net change in cash and cash equivalents	\$ (6,458)	\$ (10,454)	\$ (16,912)
Cash and cash equivalents beginning of year	16,764	18,445	35,209
Cash and cash equivalents end of year	<u>\$ 10,306</u>	<u>\$ 7,991</u>	<u>\$ 18,297</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (58,140)	\$ -	\$ (58,140)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	10,792	-	10,792
Depreciation	619	-	619
Increase in inventories	(1,187)	-	(1,187)
Net cash used by operating activities	<u>\$ (47,916)</u>	<u>\$ -</u>	<u>\$ (47,916)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$10,871 of federal commodities.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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, 2007

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

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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

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, 2007

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 Governmental Accounting Standards Board pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds 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.

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the 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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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

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 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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

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, 2007

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, 2007

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, 2007, no disbursements exceeded budgeted amounts.

NOTE 2 - CASH AND CASH EQUIVALENTS:

The District's deposits in banks at June 30, 2007 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, 2007, the District had cash and investments as follows:

Cash	\$ 1,519,730
Certificates of Deposit	<u>800,000</u>
	<u>\$ 2,319,730</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, 2007

NOTE 3 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2007 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	\$ 3,364,076	\$ 139,510	\$ -	\$ 3,503,586
Vehicles	452,453	70,828	-	523,281
Machinery and equipment	<u>623,073</u>	<u>69,021</u>	<u>(19,912)</u>	<u>672,182</u>
Total capital assets being depreciated	<u>\$ 4,439,602</u>	<u>\$ 279,359</u>	<u>\$ (19,912)</u>	<u>\$ 4,699,049</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 819,527	\$ 72,908	\$ -	\$ 892,435
Vehicles	317,709	33,350	-	351,059
Machinery and equipment	<u>491,412</u>	<u>37,129</u>	<u>(17,823)</u>	<u>510,718</u>
Total accumulated depreciation	<u>\$ 1,628,648</u>	<u>\$ 143,387</u>	<u>\$ (17,823)</u>	<u>\$ 1,754,212</u>
Total capital assets being depreciated, net	<u>\$ 2,810,954</u>	<u>\$ 135,972</u>	<u>\$ (2,089)</u>	<u>\$ 2,944,837</u>
Total governmental activities capital assets, net	<u>\$ 2,860,954</u>	<u>\$ 135,972</u>	<u>\$ (2,089)</u>	<u>\$ 2,994,837</u>
Add: Accumulated depreciation				<u>1,754,212</u>
Total capital assets				<u>\$ 4,749,049</u>
Business type activities:				
Furniture and equipment	\$ 25,391	\$ -	\$ -	\$ 25,391
Less accumulated depreciation	<u>20,189</u>	<u>619</u>	<u>-</u>	<u>20,808</u>
Business type activities capital assets, net	<u>\$ 5,202</u>	<u>\$ (619)</u>	<u>\$ -</u>	<u>\$ 4,583</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 3 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 54,754
Special	14,899
Other	11,532

Support services:

Student	2,663
Instructional staff	1,331
Administration	14,415
Operation and maintenance of plant	10,443
Transportation	<u>33,350</u>

Total depreciation expense - governmental activities \$ 143,387

Business type activities:

Food service operations	<u>\$ 619</u>
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NOTE 4 - LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation capital loan notes	\$ 1,565,000	\$ -	\$ 205,000	\$ 1,360,000	\$ 210,000
Early retirement	<u>116,387</u>	<u>27,716</u>	<u>10,205</u>	<u>133,898</u>	<u>16,767</u>
Total	<u>\$ 1,681,387</u>	<u>\$ 27,716</u>	<u>\$ 215,205</u>	<u>\$ 1,493,898</u>	<u>\$ 226,767</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, 2007 additions to early retirement totaled \$27,716 and \$10,205 in benefits were paid. The total liability for early retirement is recorded in the governmental-wide financial statements.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED):

Details of the District's June 30, 2007 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>
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>\$ 1,360,000</u>	<u>\$ 147,421</u>	<u>\$ 1,507,421</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, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$119,752, \$110,742 and \$105,660, respectively, equal to the required contributions for each year.

NOTE 6 - INTERFUND TRANSFERS:

During the year ended June 30, 2007, \$248,288 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.

During the year ended June 30, 2007 \$10,900 was transferred from the Building Trades Fund to the General Fund as reimbursement for the purchase of a new sign.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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 \$156,200 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 9 - SUBSEQUENT EVENTS:

Subsequent to June 30, 2007, the District entered into a \$1,178,300 contract for the construction of a media center and administrative addition and the remodeling of classrooms. In addition, the District issued \$950,000 School Infrastructure Local Option Sales and Services Tax Revenue Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES

IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2007

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>
Receipts:		
Local sources	\$ 2,437,487	\$ 99,769
State sources	1,623,109	2,083
Federal sources	<u>177,809</u>	<u>38,600</u>
Total receipts	<u>\$ 4,238,405</u>	<u>\$ 140,452</u>
Disbursements:		
Instruction	\$ 2,438,517	\$ -
Support services	1,048,957	-
Non-instructional programs	-	145,817
Other expenditures	<u>659,396</u>	<u>-</u>
Total disbursements	<u>\$ 4,146,870</u>	<u>\$ 145,817</u>
Excess (deficiencies) of revenue over (under) expenditures	\$ 91,535	\$ (5,365)
Other financing sources (uses)	<u>11,660</u>	<u>(10,900)</u>
Excess (deficiency) of revenue and other financing sources over (under) expenditures	\$ 103,195	\$ (16,265)
Balances beginning of year	<u>1,920,622</u>	<u>44,244</u>
Balances end of year	<u>\$ 2,023,817</u>	<u>\$ 27,979</u>

See accompanying independent auditor's report.

Total <u>Actual</u>	Budgeted Amounts		Final to Actual <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 2,537,256	\$ 1,859,253	\$ 1,859,253	\$ 678,003
1,625,192	2,125,996	2,125,996	(500,804)
<u>216,409</u>	<u>168,100</u>	<u>168,100</u>	<u>48,309</u>
<u>\$ 4,378,857</u>	<u>\$ 4,153,349</u>	<u>\$ 4,153,349</u>	<u>\$ 225,508</u>
\$ 2,438,517	\$ 2,639,000	\$ 2,784,000	\$ 345,483
1,048,957	1,161,115	1,196,115	147,158
145,817	155,000	155,000	9,183
<u>659,396</u>	<u>693,015</u>	<u>728,015</u>	<u>68,619</u>
<u>\$ 4,292,687</u>	<u>\$ 4,648,130</u>	<u>\$ 4,863,130</u>	<u>\$ 570,443</u>
\$ 86,170	<u>\$ (494,781)</u>	<u>\$ (709,781)</u>	<u>\$ 795,951</u>
<u>760</u>			
\$ 86,930			
<u>1,964,866</u>			
<u>\$ 2,051,796</u>			

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2007

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. 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 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. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$215,000.

During the year ended June 30, 2007, no expenditures exceeded budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR FUNDS

JUNE 30, 2007

ASSETS

	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	Debt <u>Service</u>	<u>Total</u>
Cash and pooled investments	\$ 23,947	\$ 61,420	\$ 35,130	\$ -	\$ 120,497
Receivables:					
Property tax:					
Current year	905	-	4,141	-	5,046
Succeeding year	<u>73,369</u>	<u>-</u>	<u>298,283</u>	<u>-</u>	<u>371,652</u>
Total assets	<u>\$ 98,221</u>	<u>\$ 61,420</u>	<u>\$ 337,554</u>	<u>\$ -</u>	<u>\$ 497,195</u>

LIABILITIES AND FUND EQUITY

Liabilities:					
Accounts payable	\$ -	\$ -	\$ 12,365	\$ -	\$ 12,365
Deferred revenue:					
Succeeding year property tax	<u>73,369</u>	<u>-</u>	<u>298,283</u>	<u>-</u>	<u>371,652</u>
Total liabilities	<u>\$ 73,369</u>	<u>\$ -</u>	<u>\$ 310,648</u>	<u>\$ -</u>	<u>\$ 384,017</u>
Fund equity:					
Unreserved fund balances	<u>\$ 24,852</u>	<u>\$ 61,420</u>	<u>\$ 26,906</u>	<u>\$ -</u>	<u>\$ 113,178</u>
Total liabilities and fund equity	<u>\$ 98,221</u>	<u>\$ 61,420</u>	<u>\$ 337,554</u>	<u>\$ -</u>	<u>\$ 497,195</u>

REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES INFUND BALANCES - NONMAJOR FUNDSYEAR ENDED JUNE 30, 2007

	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 75,150	\$ -	\$ 303,484	\$ -	\$ 378,634
Other	<u>-</u>	<u>108,426</u>	<u>2,811</u>	<u>-</u>	<u>111,237</u>
Total revenues	<u>\$ 75,150</u>	<u>\$ 108,426</u>	<u>\$ 306,295</u>	<u>\$ -</u>	<u>\$ 489,871</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 7,501	\$ -	\$ -	\$ -	\$ 7,501
Special instruction	243	-	-	-	243
Other instruction	<u>631</u>	<u>93,709</u>	<u>-</u>	<u>-</u>	<u>94,340</u>
	<u>\$ 8,375</u>	<u>\$ 93,709</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,084</u>
Support services:					
Student services	\$ 331	\$ -	\$ -	\$ -	\$ 331
Administration services	11,794	-	-	-	11,794
Operation and maintenance of plant services	55,545	-	-	-	55,545
Transportation services	<u>7,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,536</u>
	<u>\$ 75,206</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,206</u>
Other expenditures:					
Facilities acquisitions	\$ -	\$ -	\$ 83,469	\$ -	\$ 83,469
Long-term debt:					
Principal	-	-	-	205,000	205,000
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,288</u>	<u>43,288</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,469</u>	<u>\$ 248,288</u>	<u>\$ 331,757</u>
Total expenditures	<u>\$ 83,581</u>	<u>\$ 93,709</u>	<u>\$ 83,469</u>	<u>\$ 248,288</u>	<u>\$ 509,047</u>
Deficiency of revenues under expenditures	\$ (8,431)	\$ 14,717	\$ 222,826	\$ (248,288)	\$ (19,176)
Other financing sources:					
Transfers in	-	-	-	248,288	248,288
Transfers out	-	-	(248,288)	-	(248,288)
Fund balances beginning of year	<u>33,283</u>	<u>46,703</u>	<u>52,368</u>	<u>-</u>	<u>132,354</u>
Fund balances end of year	<u>\$ 24,852</u>	<u>\$ 61,420</u>	<u>\$ 26,906</u>	<u>\$ -</u>	<u>\$ 113,178</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2007

ACCOUNT:	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 2,955	\$ 35,936	\$ 35,785	\$ 3,106
Class of 2001	(80)	80	-	-
Class of 2002	542	-	542	-
Class of 2003	402	-	402	-
Class of 2004	267	-	267	-
Class of 2005	711	-	711	-
Class of 2006	1,450	-	-	1,450
Class of 2007	1,274	1,148	2,292	130
Class of 2008	4,399	1,115	3,129	2,385
Class of 2009	2,334	1,120	-	3,454
Class of 2010	1,526	550	-	2,076
Class of 2011	2,755	2,802	1,684	3,873
Class of 2012	1,217	2,915	1,718	2,414
Class of 2013	-	3,758	2,268	1,490
Have club	9,028	34,607	30,317	13,318
Annual	1,397	4,033	2,552	2,878
Student council	702	2,996	569	3,129
Middle school student council	(988)	-	82	(1,070)
Cheerleaders	918	182	-	1,100
Drill team	496	3,722	2,753	1,465
National Honor Society	1,057	1,343	650	1,750
Music fundraiser	-	8,152	5,116	3,036
Pep club	-	121	50	71
Interest	-	859	-	859
Renaissance	<u>14,341</u>	<u>2,987</u>	<u>2,822</u>	<u>14,506</u>
Total	<u>\$ 46,703</u>	<u>\$ 108,426</u>	<u>\$ 93,709</u>	<u>\$ 61,420</u>

REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS

FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues:					
Local sources:					
Local tax	\$ 2,103,137	\$ 2,142,768	\$ 2,092,341	\$ 2,008,984	\$ 1,645,341
Tuition	79,246	76,666	81,513	85,364	63,168
Other	255,104	242,311	220,991	244,467	199,364
State sources	1,623,109	1,502,553	1,431,003	1,203,310	1,515,992
Federal sources	177,809	145,989	163,385	170,359	140,385
Other financing sources	<u>11,660</u>	<u>1,046</u>	<u>1,030</u>	<u>9,937</u>	<u>2,154,820</u>
Total	<u>\$ 4,250,065</u>	<u>\$ 4,111,333</u>	<u>\$ 3,990,263</u>	<u>\$ 3,722,421</u>	<u>\$ 5,719,070</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 1,644,718	\$ 1,654,632	\$ 1,553,061	\$ 1,539,849	\$ 1,484,744
Special instruction	447,486	398,928	463,054	418,707	390,874
Other instruction	346,313	301,809	386,410	377,883	361,844
Support services:					
Student services	79,926	74,742	29,485	13,251	69,230
Instructional staff services	39,990	48,100	45,211	40,812	44,913
Administration services	432,795	423,139	330,116	253,594	305,275
Operation and maintenance					
of plant services	313,759	287,532	272,427	296,998	289,133
Transportation services	182,487	185,669	165,703	168,367	194,836
Other expenditures:					
Facilities acquisition	254,908	233,337	488,221	1,731,306	103,996
Long-term debt:					
Principal	205,000	205,000	200,000	200,000	-
Interest and other charges	43,288	46,773	49,572	47,733	-
AEA flow through	<u>156,200</u>	<u>148,366</u>	<u>146,568</u>	<u>147,379</u>	<u>159,867</u>
Total	<u>\$ 4,146,870</u>	<u>\$ 4,008,027</u>	<u>\$ 4,129,828</u>	<u>\$ 5,235,879</u>	<u>\$ 3,404,712</u>



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

To the Board of Education of
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) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 3, 2008. 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 opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the District's internal control.



To the Board of Education
Remsen-Union Community School District

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-07, I-B-07, I-C-07 and I-D-07 are material weaknesses.

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, 2007 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.

The District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit the District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the District and other parties to whom the District may report, including federal awarding agencies and pass-through entities. 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.

January 3, 2008
Sioux City, Iowa

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

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES:

I-A-07 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.

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.

I-B-07 Preparation of Financial Statements In Accordance With GAAP - The financial statements are the responsibility of the District's management. That responsibility is satisfied by either (a) management preparing the financial statements in accordance with GAAP or (b) management demonstrating the necessary GAAP expertise when reviewing and approving financial statements (that the auditor has assisted in drafting) and the various schedules and calculations used to prepare such financial statements. Management does review draft financial statements prior to issuance but does not fully possess a knowledge of the District's GAAP financial reporting process.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2007

(CONTINUED)

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

Recommendation - We recommend management review the District's GAAP financial reporting process and seek the necessary guidance/training so as to more fully understand the process to prepare the District's financial statements in accordance with GAAP.

Response - The District understands the nature of the weakness and the necessity for management to further its understanding of GAAP financial reporting. The District will implement changes as deemed necessary.

Conclusion - Response accepted.

I-C-07 Reconciliation of Beginning Fund Balance - Beginning fund balance for all funds should match the ending fund balance per the previous year's audited financial statements. During the course of our audit, we noted beginning fund balance did not reconcile to the previous year's audited financial statements for three funds. The differences ranged from approximately \$16,500 to \$81,000. This occurred because management did not review and reconcile fund balances with the financial statements.

Recommendation - We recommend management review and reconcile beginning fund balance for all funds to the previous year's audited financial statements.

Response - The District will implement this procedure.

Conclusion - Response accepted.

I-D-07 Accounts Payable - Accounts payable should include amounts for all unpaid goods and services received. During the course of our audit, we noted that accounts payable was understated by approximately \$59,000 relating to various goods/services received in fiscal year 2007 but for which an invoice had not yet been presented by the vendor. This occurred because management did not review for such goods/services for which invoices had not yet been received.

Recommendation - We recommend management be cognizant of any invoices not yet received for goods/services previously incurred.

Response - The District will be alert for such invoices.

Conclusion - Response accepted.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2007

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting

- II-A-07 Certified Budget - No disbursements for the year ended June 30, 2007 exceeded the certified budget amounts.
- II-B-07 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-07 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-07 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-07 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-07 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 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-07 Certified Annual Report - The Certified Annual Report (CAR) was certified to the Department of Education timely.