

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, 2008

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

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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, 2008, 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, 2008 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 February 23, 2009, 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 34 and 35 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.

February 23, 2009  
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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2008 Financial Highlights

- General Fund revenues increased from \$3,497,361 in fiscal 2007 to \$3,574,652 in fiscal 2008, and General Fund expenditures increased from \$3,466,384 in fiscal 2007 to \$3,724,310 in fiscal 2008. The District's General Fund balance decreased from \$1,457,171 in fiscal 2007 to \$1,315,091 in fiscal 2008, a 9.8% decrease.
- The increase in General Fund revenues was primarily attributable to increased state and local revenues. The increase in General Fund expenditures was primarily due to increased staff levels and raises in staff pay. The District also utilized a portion of the General Fund balance on one time expenditures as was requested by the Board of Directors. In addition, the tax rate decreased slightly from fiscal 2007. The net effect of these factors resulted in a decrease in the General Fund Balance.
- The District completed construction of a media center and an administrative addition during the fiscal year ending June 30, 2008.

### 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 three kinds of funds.

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

The District's governmental funds include the General Fund, 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.

3. Fiduciary Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets.

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, 2008 and 2007.

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

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2008	2007	2008	2007	2008	2007	2007-2008
Current and other assets	\$ 4,464	\$ 4,332	\$ 6	\$ 23	\$ 4,470	\$ 4,355	2.6%
Capital assets, net	3,908	2,995	4	5	3,912	3,000	30.4%
Total assets	\$ 8,372	\$ 7,327	\$ 10	\$ 28	\$ 8,382	\$ 7,355	14.0%
Long-term liabilities	\$ 2,243	\$ 1,494	\$ -	\$ -	\$ 2,243	\$ 1,494	50.1%
Other liabilities	2,432	2,313	2	-	2,434	2,313	5.2%
Total liabilities	\$ 4,675	\$ 3,807	\$ 2	\$ -	\$ 4,677	\$ 3,807	22.9%
Net assets:							
Invested in capital assets, net of related debt	\$ 2,084	\$ 1,635	\$ 4	\$ 5	\$ 2,088	\$ 1,640	27.3%
Restricted	728	542	-	-	728	542	34.3%
Unrestricted	885	1,343	4	23	889	1,366	(34.9%)
Total net assets	\$ 3,697	\$ 3,520	\$ 8	\$ 28	\$ 3,705	\$ 3,548	4.4%

The District's total assets increased 14.0% and total liabilities increased 22.9% due primarily to the construction of the media center and administrative addition and issuance of bonds. 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. The District's restricted net assets increased approximately \$186,000, or 34%, over the prior year primarily due to revenues exceeding expenditures in the Capital Projects Fund.

Unrestricted net assets can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. The District's unrestricted net assets decreased approximately \$200,000, or 15%, over the prior year primarily due to expenditures exceeding revenues in the General Fund.

Figure A-2 shows the change in net assets for the years ended June 30, 2008 and 2007.

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

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change 2007-2008
	2008	2007	2008	2007	2008	2007	
Revenues:							
Program revenues:							
Charges for services	\$ 321	\$ 263	\$ 102	\$ 99	\$ 423	\$ 362	16.9%
Operating grants, contributions and restricted interest	625	604	54	52	679	656	3.5%
General revenues:							
Property tax	1,901	1,864	-	-	1,901	1,864	2.0%
Local option sales tax	232	239	-	-	232	239	(2.9%)
Unrestricted state grants	1,187	1,197	-	-	1,187	1,197	(0.8%)
Unrestricted investment earnings	83	71	1	1	84	72	16.7%
Other	6	11	(6)	(11)	-	-	0.0%
Total revenues	\$ 4,355	\$ 4,249	\$ 151	\$ 141	\$ 4,506	\$ 4,390	2.6%
Program expenses:							
Instruction	\$ 2,724	\$ 2,520	\$ -	\$ -	\$ 2,724	\$ 2,520	8.1%
Support services	1,226	1,104	-	-	1,226	1,104	11.1%
Non-instructional programs	-	-	171	157	171	157	8.9%
Other expenses	228	200	-	-	228	200	14.0%
Total expenses	\$ 4,178	\$ 3,824	\$ 171	\$ 157	\$ 4,349	\$ 3,981	9.2%
Change in net assets	\$ 177	\$ 425	\$ (20)	\$ (16)	\$ 157	\$ 409	(61.6%)

Property tax and unrestricted state grants account for 68.5% of the total revenue (69.7% in 2007). The District's expenses primarily relate to instruction and support services, which account for 90.8% of the total expenses (91.0% in 2007).

During fiscal 2008, the District experienced a 2.6% increase in revenues and a 9.2% increase in expenses. Revenues did not increase at the same rate as expenses which increased as the result of negotiated salaries and benefits.

Governmental Activities - Revenues for governmental activities were \$4,355,327 and expenses were \$4,177,997. 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, 2008 and 2007: 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
	2008	2007	Change	2008	2007	Change
			2007-2008			2007-2008
Instruction	\$ 2,724	\$ 2,520	8.1%	\$ 2,009	\$ 1,878	7.0%
Support services	1,226	1,104	11.1%	1,154	1,036	11.4%
Other expenses	228	200	14.0%	68	44	54.5%
Totals	\$ 4,178	\$ 3,824	9.2%	\$ 3,231	\$ 2,958	9.2%

- The cost financed by users of the District's programs was \$321,359 (\$262,855 in 2007).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$624,873 (\$603,680 in 2007).
- The net cost of governmental activities was financed with \$2,132,560 in property and other taxes (\$2,103,137 in 2007) and \$1,187,344 in unrestricted state grants (\$1,197,237 in 2007).

Business Type Activities - Revenues for business type activities were \$157,429 (\$140,423 in 2007) and expenses were \$177,250 including a \$6,592 transfer to the General Fund (\$156,688 in 2007). 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 \$2,064,253, above last year's ending fund balances of \$2,023,817. However, the primary reason for the increase is revenues exceeding expenditures in the Capital Projects Fund. The District's proprietary funds reported end of year net assets of \$8,158, below last year's ending net assets of \$27,979.

### Governmental Fund Highlights

The District's General Fund maintains a strong financial position with \$1,315,091 in its fund balance at June 30, 2008. However, the General Fund decreased by \$142,080 during fiscal 2008 due to expenses increasing at a faster rate than revenues.

The District's Capital Projects Fund balance increased \$185,877 due to the accumulation of unspent local option money during 2008.

Proprietary Fund Highlights

Revenues for business type activities were \$157,429 and expenses were \$177,250 including a \$6,592 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 were greater than budget and actual receipts from state sources and federal sources less than budget due to unexpected changes in revenue sources.

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

The certified budget was exceeded in the support services and other expenditures functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

**Capital Assets and Debt Administration**

Capital Assets - At June 30, 2008, the District had invested \$3,911,918, 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 4 to the financial statements. Depreciation expense for the year was \$145,069.

The original cost of the District's capital assets was \$5,814,934. Governmental funds account for \$5,789,543, with the remainder of \$25,391 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress. The District's construction in progress totaled \$989,971 at June 30, 2008, compared to \$55,272 reported at June 30, 2007. This significant increase resulted from construction activity financed by the issuance of voter approved revenue bonds totaling \$950,000 in fiscal 2008 for construction of a media center and an administrative building addition.

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

	Governmental Activities		Business Type Activities		Total District		Percent Change 2007-2008
	2008	2007	2008	2007	2008	2007	
Land	\$ 50	\$ 50	\$ -	\$ -	\$ 50	\$ 50	0.0%
Buildings and improvements	3,477	2,611	-	-	3,477	2,611	33.2%
Vehicles	148	172	-	-	148	172	(14.0%)
Machinery and equipment	233	161	4	5	237	166	42.8%
Totals	\$ 3,908	\$ 2,994	\$ 4	\$ 5	\$ 3,912	\$ 2,999	30.4%

Long-Term Debt - At June 30, 2008, the District had \$1,150,000 general obligation capital loan notes. Additional information about the District's long-term debt is presented in Note 5 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.

During October 2007, the District issued \$950,000 of local option sales and services tax revenue bonds to pay for the construction of a new media center and an administrative building addition. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The following table presents the District's long-term liabilities as of June 30, 2008 and 2007:

Figure A-5 (In Thousands)  
Outstanding Long-Term Obligations

	June 30,		Percent Change
	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
General obligation capital loan notes	\$ 1,150	\$ 1,360	(15.4%)
Revenue bonds	950	-	100.0%
Early retirement	143	134	6.7%
	<u>\$ 2,243</u>	<u>\$ 1,494</u>	<u>(50.1%)</u>

### **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:

While not expected, a decline in student enrollment would have a negative affect on the budget. Also, budget adjustments by the State of Iowa may hinder growth opportunities.

### **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, 2008

	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 2,476,010	\$ 2,423	\$ 2,478,433
Receivables:			
Property tax:			
Current year	21,853	-	21,853
Succeeding year	1,848,669	-	1,848,669
Accounts	73,193	-	73,193
Due from other funds	12,900	-	12,900
Prepaid expenses	27,846	-	27,846
Inventories	3,252	4,224	7,476
Capital assets, net of accumulated depreciation	<u>3,907,953</u>	<u>3,965</u>	<u>3,911,918</u>
Total assets	<u>\$ 8,371,676</u>	<u>\$ 10,612</u>	<u>\$ 8,382,288</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 225,971	\$ -	\$ 225,971
Salaries and benefits payable	324,830	-	324,830
Accrued interest payable	32,576	-	32,576
Deferred revenue - succeeding year property tax	1,848,669	-	1,848,669
Other deferred revenue	-	2,454	2,454
Long-term liabilities:			
Early retirement payable - due within one year	15,120	-	15,120
Early retirement payable - due after one year	127,637	-	127,637
General obligation capital loan notes - due within one year	215,000	-	215,000
General obligation capital loan notes - due after one year	935,000	-	935,000
Revenue bonds payable - due within one year	125,000	-	125,000
Revenue bonds payable - due after one year	<u>825,000</u>	<u>-</u>	<u>825,000</u>
Total liabilities	<u>\$ 4,674,803</u>	<u>\$ 2,454</u>	<u>\$ 4,677,257</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	\$ 2,083,659	\$ 3,965	\$ 2,087,624
Restricted for:			
Physical plant and equipment levy	28,135	-	28,135
Other special revenue purposes	60,486	-	60,486
Capital projects/bond reserve	639,345	-	639,345
Unrestricted	<u>885,248</u>	<u>4,193</u>	<u>889,441</u>
Total net assets	<u>\$ 3,696,873</u>	<u>\$ 8,158</u>	<u>\$ 3,705,031</u>
Total liabilities and net assets	<u>\$ 8,371,676</u>	<u>\$ 10,612</u>	<u>\$ 8,382,288</u>

See notes to financial statements.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

		<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	\$ 1,817,083	\$ 193,194	\$ 392,751
Special instruction	540,173	-	729
Other instruction	<u>366,341</u>	<u>128,165</u>	-
	<u>\$ 2,723,597</u>	<u>\$ 321,359</u>	<u>\$ 393,480</u>
Support services:			
Student services	\$ 87,471	\$ -	\$ -
Instructional staff services	46,496	-	-
Administration services	476,200	-	-
Operation and maintenance of plant services	378,181	-	-
Transportation services	<u>237,496</u>	-	<u>71,293</u>
	<u>\$ 1,225,844</u>	<u>\$ -</u>	<u>\$ 71,293</u>
Other expenditures:			
Long-term debt interest	\$ 66,652	\$ -	\$ -
Loss on disposal of capital assets	1,804	-	-
AEA flow through	<u>160,100</u>	-	<u>160,100</u>
	<u>\$ 228,556</u>	<u>\$ -</u>	<u>\$ 160,100</u>
Total governmental activities	<u>\$ 4,177,997</u>	<u>\$ 321,359</u>	<u>\$ 624,873</u>
Business type activities:			
Non-instructional programs:			
Food service operations	\$ 170,658	\$ 102,055	\$ 54,735
Total business type activities	<u>\$ 170,658</u>	<u>\$ 102,055</u>	<u>\$ 54,735</u>
Total	<u>\$ 4,348,655</u>	<u>\$ 423,414</u>	<u>\$ 679,608</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			
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>
\$ (1,231,138)	\$ -	\$ (1,231,138)
(539,444)	-	(539,444)
<u>(238,176)</u>	<u>-</u>	<u>(238,176)</u>
\$ <u>(2,008,758)</u>	\$ <u>-</u>	\$ <u>(2,008,758)</u>
\$ (87,471)	\$ -	\$ (87,471)
(46,496)	-	(46,496)
(476,200)	-	(476,200)
(378,181)	-	(378,181)
<u>(166,203)</u>	<u>-</u>	<u>(166,203)</u>
\$ <u>(1,154,551)</u>	\$ <u>-</u>	\$ <u>(1,154,551)</u>
\$ (66,652)	\$ -	\$ (66,652)
(1,804)	-	(1,804)
<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>(68,456)</u>	\$ <u>-</u>	\$ <u>(68,456)</u>
\$ <u>(3,231,765)</u>	\$ <u>-</u>	\$ <u>(3,231,765)</u>
\$ -	\$ (13,868)	\$ (13,868)
\$ -	\$ (13,868)	\$ (13,868)
\$ <u>(3,231,765)</u>	\$ <u>(13,868)</u>	\$ <u>(3,245,633)</u>
\$ 1,510,743	\$ -	\$ 1,510,743
85,064	-	85,064
304,994	-	304,994
231,759	-	231,759
1,187,344	-	1,187,344
82,599	639	83,238
<u>6,592</u>	<u>(6,592)</u>	<u>-</u>
\$ <u>3,409,095</u>	\$ <u>(5,953)</u>	\$ <u>3,403,142</u>
\$ 177,330	\$ (19,821)	\$ 157,509
<u>3,519,543</u>	<u>27,979</u>	<u>3,547,522</u>
\$ <u>3,696,873</u>	\$ <u>8,158</u>	\$ <u>3,705,031</u>

## REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>ASSETS:</b>				
Cash and pooled investments	\$ 1,577,952	\$ 793,108	\$ 104,950	\$ 2,476,010
Receivables:				
Property tax:				
Current year	16,986	-	4,867	21,853
Succeeding year	1,457,368	-	391,301	1,848,669
Accounts	53,538	19,655	-	73,193
Due from other funds	12,900	-	-	12,900
Prepaid expenses	27,846	-	-	27,846
Inventory	<u>3,252</u>	<u>-</u>	<u>-</u>	<u>3,252</u>
Total assets	<u>\$ 3,149,842</u>	<u>\$ 812,763</u>	<u>\$ 501,118</u>	<u>\$ 4,463,723</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Accounts payable	\$ 52,553	\$ 173,418	\$ -	\$ 225,971
Salaries and benefits payable	324,830	-	-	324,830
Deferred revenue:				
Succeeding year property tax	<u>1,457,368</u>	<u>-</u>	<u>391,301</u>	<u>1,848,669</u>
Total liabilities	<u>\$ 1,834,751</u>	<u>\$ 173,418</u>	<u>\$ 391,301</u>	<u>\$ 2,399,470</u>
Fund balances:				
Unreserved	\$ 1,315,091	\$ 486,657	\$ 109,817	\$ 1,911,565
Bond sinking fund	<u>-</u>	<u>152,688</u>	<u>-</u>	<u>152,688</u>
Total fund balances	<u>\$ 1,315,091</u>	<u>\$ 639,345</u>	<u>\$ 109,817</u>	<u>\$ 2,064,253</u>
Total liabilities and fund balances	<u>\$ 3,149,842</u>	<u>\$ 812,763</u>	<u>\$ 501,118</u>	<u>\$ 4,463,723</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET ASSETS

JUNE 30, 2008

Total fund balances of governmental funds	\$ 2,064,253
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.	3,907,953
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.	(32,576)
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>(2,242,757)</u>
Net assets of governmental activities	<u>\$ 3,696,873</u>

## REMSEN-UNION COMMUNITY SCHOOL DISTRICT

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

## GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 1,510,743	\$ 231,759	\$ 390,058	\$ 2,132,560
Tuition	102,560	-	-	102,560
Other	149,132	20,968	131,298	301,398
State sources	1,673,772	-	-	1,673,772
Federal sources	138,445	-	-	138,445
Total revenues	<u>\$ 3,574,652</u>	<u>\$ 252,727</u>	<u>\$ 521,356</u>	<u>\$ 4,348,735</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,756,200	\$ -	\$ 17,646	\$ 1,773,846
Special instruction	523,371	-	215	523,586
Other instruction	230,873	-	130,440	361,313
	<u>\$ 2,510,444</u>	<u>\$ -</u>	<u>\$ 148,301</u>	<u>\$ 2,658,745</u>
Support services:				
Student services	\$ 84,548	\$ -	\$ 243	\$ 84,791
Instructional staff services	45,071	-	-	45,071
Administration services	436,101	-	7,197	443,298
Operation and maintenance of plant services	287,968	-	56,957	344,925
Transportation services	200,078	-	6,033	206,111
	<u>\$ 1,053,766</u>	<u>\$ -</u>	<u>\$ 70,430</u>	<u>\$ 1,124,196</u>
Other expenditures:				
Facilities acquisition	\$ -	\$ 1,016,850	\$ 56,696	\$ 1,073,546
Long-term debt:				
Principal	-	-	210,000	210,000
Interest	-	-	39,290	39,290
AEA flow through	160,100	-	-	160,100
	<u>\$ 160,100</u>	<u>\$ 1,016,850</u>	<u>\$ 305,986</u>	<u>\$ 1,482,936</u>
Total expenditures	<u>\$ 3,724,310</u>	<u>\$ 1,016,850</u>	<u>\$ 524,717</u>	<u>\$ 5,265,877</u>
Deficiency of revenue under expenditures	<u>\$ (149,658)</u>	<u>\$ (764,123)</u>	<u>\$ (3,361)</u>	<u>\$ (917,142)</u>
Other financing sources:				
Sale of equipment	\$ 986	\$ -	\$ -	\$ 986
Proceeds from bond issuance	-	950,000	-	950,000
Transfers in	6,592	-	249,290	255,882
Transfers out	-	-	(249,290)	(249,290)
	<u>\$ 7,578</u>	<u>\$ 950,000</u>	<u>\$ -</u>	<u>\$ 957,578</u>
Net change in fund balances	\$ (142,080)	\$ 185,877	\$ (3,361)	\$ 40,436
Fund balances beginning of year	<u>1,457,171</u>	<u>453,468</u>	<u>113,178</u>	<u>2,023,817</u>
Fund balances end of year	<u>\$ 1,315,091</u>	<u>\$ 639,345</u>	<u>\$ 109,817</u>	<u>\$ 2,064,253</u>

See notes to financial statements.

REMSSEN-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, 2008

Net change in fund balances - total governmental funds \$ 40,436

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	\$ 1,060,357	
Depreciation expense	<u>(144,451)</u>	915,906

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. 210,000

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. (950,000)

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. (2,790)

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. (27,362)

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. (8,860)

Change in net assets of governmental activities \$ 177,330

REMSEN-UNION COMMUNITY SCHOOL DISTRICTSTATEMENTS OF NET ASSETS - PROPRIETARY FUNDSJUNE 30, 2008

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 1,024	\$ 1,399	\$ 2,423
Inventories	4,224	-	4,224
Capital assets, net of accumulated depreciation	<u>3,965</u>	<u>-</u>	<u>3,965</u>
Total assets	<u>\$ 9,213</u>	<u>\$ 1,399</u>	<u>\$ 10,612</u>
<b>LIABILITIES:</b>			
Deferred revenue	<u>\$ 2,454</u>	<u>\$ -</u>	<u>\$ 2,454</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	\$ 3,965	\$ -	\$ 3,965
Unrestricted	<u>2,794</u>	<u>1,399</u>	<u>4,193</u>
Total net assets	<u>\$ 6,759</u>	<u>\$ 1,399</u>	<u>\$ 8,158</u>
Total liabilities and net assets	<u>\$ 9,213</u>	<u>\$ 1,399</u>	<u>\$ 10,612</u>

## REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

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

## PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 102,055	\$ -	\$ 102,055
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	\$ 57,334	\$ -	\$ 57,334
Benefits	7,574	-	7,574
Purchased services	1,891	-	1,891
Supplies	103,241	-	103,241
Depreciation	618	-	618
Total operating expenses	<u>\$ 170,658</u>	<u>\$ -</u>	<u>\$ 170,658</u>
Operating loss	<u>\$ (68,603)</u>	<u>\$ -</u>	<u>\$ (68,603)</u>
Non-operating revenues:			
Interest income	\$ 639	\$ -	\$ 639
State sources	2,151	-	2,151
Federal sources	42,161	-	42,161
Food distribution	10,423	-	10,423
Total non-operating revenues	<u>\$ 55,374</u>	<u>\$ -</u>	<u>\$ 55,374</u>
Loss before transfers	\$ (13,229)	\$ -	\$ (13,229)
Transfers:			
Transfers out	-	(6,592)	(6,592)
Change in net assets	\$ (13,229)	\$ (6,592)	\$ (19,821)
Net assets beginning of year	<u>19,988</u>	<u>7,991</u>	<u>27,979</u>
Net assets end of year	<u>\$ 6,759</u>	<u>\$ 1,399</u>	<u>\$ 8,158</u>

## REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

## STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2008

	School <u>Nutrition</u>	Building <u>Trades</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 104,509	\$ -	\$ 104,509
Cash paid to employees for services	(64,908)	-	(64,908)
Cash paid to suppliers for goods or services	(93,834)	-	(93,834)
Net cash used by operating activities	<u>\$ (54,233)</u>	<u>\$ -</u>	<u>\$ (54,233)</u>
Cash flows from non-capital financing activities:			
State grants received	\$ 2,151	\$ -	\$ 2,151
Federal grants received	42,161	-	42,161
Net cash provided by non-capital financing activities	<u>\$ 44,312</u>	<u>\$ -</u>	<u>\$ 44,312</u>
Cash flows from investing activities:			
Interest on investments	\$ 639	\$ -	\$ 639
Net cash provided by investing activities:	<u>\$ 639</u>	<u>\$ -</u>	<u>\$ 639</u>
Cash flows from financing activities:			
Transfer to general fund	\$ -	\$ (6,592)	\$ (6,592)
Net change in cash and cash equivalents	\$ (9,282)	\$ (6,592)	\$ (15,874)
Cash and cash equivalents beginning of year	10,306	7,991	18,297
Cash and cash equivalents end of year	<u>\$ 1,024</u>	<u>\$ 1,399</u>	<u>\$ 2,423</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (68,603)	\$ -	\$ (68,603)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	10,954	-	10,954
Depreciation	618	-	618
Decrease in inventories	344	-	344
Increase in deferred revenues	2,454	-	2,454
Net cash used by operating activities	<u>\$ (54,233)</u>	<u>\$ -</u>	<u>\$ (54,233)</u>

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

During the year ended June 30, 2008, the District received \$10,423 of federal commodities.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT  
STATEMENTS OF NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2008

	<u>Agency</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ <u>12,900</u>
Total assets	\$ <u><u>12,900</u></u>
<b>LIABILITIES:</b>	
Due to other funds	\$ <u>12,900</u>
Total liabilities	\$ <u><u>12,900</u></u>
<b>NET ASSETS:</b>	
Unrestricted	\$ <u>-</u>
Total net assets	\$ <u><u>-</u></u>
Total liabilities and net assets	\$ <u><u>12,900</u></u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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, 2008

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, proprietary and fiduciary 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, 2008

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.

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

- 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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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

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.

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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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

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.

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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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

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.

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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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

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.

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, 2008, expenditures in the support services and other expenditures functional areas exceeded the amounts budgeted.

NOTE 2 - CASH AND CASH EQUIVALENTS:

The District's deposits in banks at June 30, 2008 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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED):

At June 30, 2008, the District had cash and investments as follows:

Cash	\$ 1,878,433
Certificates of Deposit	<u>600,000</u>
	<u>\$ 2,478,433</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.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES:

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Fund	<u>\$ 12,900</u>

The due from and due to other funds balance at June 30, 2008 is the result of the General Fund paying/accruing certain expenses on behalf of the Agency Fund.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 4 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	<u>55,272</u>	<u>934,699</u>	<u>-</u>	<u>989,971</u>
Total capital assets not being depreciated	<u>\$ 105,272</u>	<u>\$ 934,699</u>	<u>\$ -</u>	<u>\$ 1,039,971</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 3,448,314	\$ 3,302	\$ -	\$ 3,451,616
Vehicles	523,281	6,995	-	530,276
Machinery and equipment	<u>672,182</u>	<u>115,361</u>	<u>(19,863)</u>	<u>767,680</u>
Total capital assets being depreciated	<u>\$ 4,643,777</u>	<u>\$ 125,658</u>	<u>\$ (19,863)</u>	<u>\$ 4,749,572</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 892,435	\$ 71,980	\$ -	\$ 964,415
Vehicles	351,059	31,385	-	382,444
Machinery and equipment	<u>510,718</u>	<u>41,086</u>	<u>(17,073)</u>	<u>534,731</u>
Total accumulated depreciation	<u>\$ 1,754,212</u>	<u>\$ 144,451</u>	<u>\$ (17,073)</u>	<u>\$ 1,881,590</u>
Total capital assets being depreciated, net	<u>\$ 2,889,565</u>	<u>\$ (18,793)</u>	<u>\$ (2,790)</u>	<u>\$ 2,867,982</u>
Total governmental activities capital assets, net	<u>\$ 2,994,837</u>	<u>\$ 915,906</u>	<u>\$ (2,790)</u>	<u>\$ 3,907,953</u>
Add: Accumulated depreciation				<u>1,881,590</u>
Total capital assets				<u>\$ 5,789,543</u>
<b>Business type activities:</b>				
Furniture and equipment	\$ 25,391	\$ -	\$ -	\$ 25,391
Less accumulated depreciation	<u>20,808</u>	<u>618</u>	<u>-</u>	<u>21,426</u>
Business type activities capital assets, net	<u>\$ 4,583</u>	<u>\$ (618)</u>	<u>\$ -</u>	<u>\$ 3,965</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 4 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 56,171
Special	16,587
Other	11,442

Support services:

Student	2,680
Instructional staff	1,425
Administration	14,043
Operation and maintenance of plant	10,718
Transportation	<u>31,385</u>

Total depreciation expense - governmental activities \$ 144,451

Business type activities:

Food service operations	<u>\$ 618</u>
-------------------------	---------------

NOTE 5 - LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning <u>of Year</u>	<u>Additions</u>	<u>Reductions</u>	Balance End <u>of Year</u>	Due Within <u>One Year</u>
General obligation capital loan notes	\$ 1,360,000	\$ -	\$ 210,000	\$ 1,150,000	\$ 215,000
Revenue bonds	-	950,000	-	950,000	125,000
Early retirement	<u>133,898</u>	<u>24,699</u>	<u>15,840</u>	<u>142,757</u>	<u>15,120</u>
Total	<u>\$ 1,493,898</u>	<u>\$ 974,699</u>	<u>\$ 225,840</u>	<u>\$ 2,242,757</u>	<u>\$ 355,120</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. Early retirement benefits generally consist of annual cash payments and/or health insurance benefits until the retiree reaches age 65. At June 30, 2008, the District had obligations to four participants with a total liability of \$142,757. During the year ended June 30, 2008 additions to the early retirement liability totaled \$24,699 and \$15,840 in benefits 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, 2008

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED):

Details of the District's June 30, 2008 general obligation capital loan notes are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,150,000</u>	<u>\$ 108,431</u>	<u>\$ 1,258,431</u>

Details of the District's June 30, 2008 revenue bonds are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	3.75%	\$ 125,000	\$ 43,803	\$ 168,803
2010	3.75%	120,000	29,980	149,980
2011	3.85%	130,000	25,227	155,227
2012	3.90%	135,000	20,093	155,093
2013	3.90%	140,000	14,730	154,730
2014	4.00%	145,000	9,100	154,100
2015	4.00%	<u>155,000</u>	<u>3,100</u>	<u>158,100</u>
		<u>\$ 950,000</u>	<u>\$ 146,033</u>	<u>\$ 1,096,033</u>

The District has pledged future local option sales and service tax revenues to repay the \$950,000 bonds issued in October 2007. The bonds were issued for the purpose of financing a portion of the costs of a new media center and administrative building addition. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require approximately 65 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$1,096,033. For the current year, no principal and interest was paid on the bonds and total local option sales and services tax revenues were \$231,759.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED):

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) All proceeds from the local option sales and services tax shall be placed in a revenue account (capital project fund account).
- b) An amount necessary to make the next scheduled bond payment shall be deposited in the Sinking Fund.
- c) The balance of proceeds shall be deposited to the Project Fund and expended therefrom for the purposes of issuance.

The District maintained adequate balances in the District's Capital Project Fund account and made payments for the purposes of issuance during the year ended June 30, 2008.

NOTE 6 - PENSION AND RETIREMENT BENEFITS:

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

Plan members are required to contribute 3.90 percent of their annual covered salary and the District is required to contribute 6.05 percent of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$135,159, \$119,752 and \$110,742, respectively, equal to the required contributions for each year.

NOTE 7 - INTERFUND TRANSFERS:

During the year ended June 30, 2008, \$249,290 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, 2008, \$6,592 was transferred from the Building Trades Fund to the General Fund as reimbursement for landscaping services.

REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 8 - 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 9 - 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 \$160,100 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 10 - CONSTRUCTION COMMITMENT:

The District has entered into a contract totaling \$1,178,300 for the construction of a new media center and administrative building addition. As of June 30, 2008, costs of \$674,294 had been incurred against the contract. The balance of \$504,006 remaining at June 30, 2008 will be paid as work on the project progresses.

NOTE 11 - SUBSEQUENT EVENTS:

Subsequent to June 30, 2008, construction on the administration building addition was completed and the contract paid in full.

**REQUIRED SUPPLEMENTARY INFORMATION**

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES

AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2008

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Revenues:		
Local sources	\$ 2,536,518	\$ 102,694
State sources	1,673,772	2,151
Federal sources	<u>138,445</u>	<u>42,161</u>
Total revenues	<u>\$ 4,348,735</u>	<u>\$ 147,006</u>
Expenditures/Expenses:		
Instruction	\$ 2,658,745	\$ -
Support services	1,124,196	-
Non-instructional programs	-	160,235
Other expenditures	<u>1,482,936</u>	<u>-</u>
Total expenditures/expenses	<u>\$ 5,265,877</u>	<u>\$ 160,235</u>
(Deficiencies) excess of revenue (under) over expenditures	\$ (917,142)	\$ (13,229)
Other financing sources (uses)	<u>957,578</u>	<u>(6,592)</u>
Excess (deficiency) of revenue and other financing sources over (under) expenditures	\$ 40,436	\$ (19,821)
Balances beginning of year	<u>2,023,817</u>	<u>27,979</u>
Balances end of year	<u>\$ 2,064,253</u>	<u>\$ 8,158</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>	
\$ 2,639,212	\$ 1,899,580	\$ 1,899,580	\$ 739,632
1,675,923	2,355,664	2,355,664	(679,741)
<u>180,606</u>	<u>196,100</u>	<u>196,100</u>	<u>(15,494)</u>
<u>\$ 4,495,741</u>	<u>\$ 4,451,344</u>	<u>\$ 4,451,344</u>	<u>\$ 44,397</u>
\$ 2,658,745	\$ 3,325,350	\$ 3,325,350	\$ 666,605
1,124,196	1,091,950	1,091,950	(32,246)
160,235	176,000	176,000	15,765
<u>1,482,936</u>	<u>415,156</u>	<u>415,156</u>	<u>(1,067,780)</u>
<u>\$ 5,426,112</u>	<u>\$ 5,008,456</u>	<u>\$ 5,008,456</u>	<u>\$ (417,656)</u>
\$ (930,371)	<u>\$ (557,112)</u>	<u>\$ (557,112)</u>	<u>\$ (373,259)</u>
<u>950,986</u>			
\$ 20,615			
<u>2,051,796</u>			
<u>\$ 2,072,411</u>			

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2008

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 ended June 30, 2008, expenditures in the support services and other expenditures functional areas exceeded the amounts budgeted.

## **OTHER SUPPLEMENTARY INFORMATION**

REMSEN-UNION COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET - NONMAJOR FUNDS

JUNE 30, 2008

ASSETS

	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	<u>Total</u>
Cash and pooled investments	\$ 20,240	\$ 60,486	\$ 24,224	\$ -	\$ 104,950
Receivables:					
Property tax:					
Current year	956	-	3,911	-	4,867
Succeeding year	<u>92,917</u>	<u>-</u>	<u>298,384</u>	<u>-</u>	<u>391,301</u>
Total assets	<u>\$ 114,113</u>	<u>\$ 60,486</u>	<u>\$ 326,519</u>	<u>\$ -</u>	<u>\$ 501,118</u>

LIABILITIES AND FUND EQUITY

Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue:					
Succeeding year property tax	<u>92,917</u>	<u>-</u>	<u>298,384</u>	<u>-</u>	<u>391,301</u>
Total liabilities	<u>\$ 92,917</u>	<u>\$ -</u>	<u>\$ 298,384</u>	<u>\$ -</u>	<u>\$ 391,301</u>
Fund equity:					
Unreserved fund balances	<u>\$ 21,196</u>	<u>\$ 60,486</u>	<u>\$ 28,135</u>	<u>\$ -</u>	<u>\$ 109,817</u>
Total liabilities and fund equity	<u>\$ 114,113</u>	<u>\$ 60,486</u>	<u>\$ 326,519</u>	<u>\$ -</u>	<u>\$ 501,118</u>

## REMSEN-UNION COMMUNITY SCHOOL DISTRICT

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

## FUND BALANCES - NONMAJOR FUNDS

YEAR ENDED JUNE 30, 2008

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 85,064	\$ -	\$ 304,994	\$ -	\$ 390,058
Other	-	129,077	2,221	-	131,298
Total revenues	\$ 85,064	\$ 129,077	\$ 307,215	\$ -	\$ 521,356
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 17,646	\$ -	\$ -	\$ -	\$ 17,646
Special instruction	215	-	-	-	215
Other instruction	429	130,011	-	-	130,440
	\$ 18,290	\$ 130,011	\$ -	\$ -	\$ 148,301
Support services:					
Student services	\$ 243	\$ -	\$ -	\$ -	\$ 243
Administration services	7,197	-	-	-	7,197
Operation and maintenance of plant services	56,957	-	-	-	56,957
Transportation services	6,033	-	-	-	6,033
	\$ 70,430	\$ -	\$ -	\$ -	\$ 70,430
Other expenditures:					
Facilities acquisitions	\$ -	\$ -	\$ 56,696	\$ -	\$ 56,696
Long-term debt:					
Principal	-	-	-	210,000	210,000
Interest	-	-	-	39,290	39,290
	\$ -	\$ -	\$ 56,696	\$ 249,290	\$ 305,986
Total expenditures	\$ 88,720	\$ 130,011	\$ 56,696	\$ 249,290	\$ 524,717
(Deficiency) excess of revenues (under) over expenditures	\$ (3,656)	\$ (934)	\$ 250,519	\$ (249,290)	\$ (3,361)
Other financing sources:					
Transfers in	-	-	-	249,290	249,290
Transfers out	-	-	(249,290)	-	(249,290)
Fund balances beginning of year	24,852	61,420	26,906	-	113,178
Fund balances end of year	\$ 21,196	\$ 60,486	\$ 28,135	\$ -	\$ 109,817

## REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2008

ACCOUNT:	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 3,106	\$ 42,991	\$ 40,564	\$ 5,533
Class of 2006	1,450	-	-	1,450
Class of 2007	130	-	-	130
Class of 2008	2,385	1,740	2,677	1,448
Class of 2009	3,454	2,194	3,812	1,836
Class of 2010	2,076	2,781	958	3,899
Class of 2011	3,873	197	-	4,070
Class of 2012	2,414	1,542	971	2,985
Class of 2013	1,490	2,992	1,840	2,642
Class of 2014	-	4,660	2,822	1,838
Have Club	13,318	42,777	46,694	9,401
Annual	2,878	4,805	10,085	(2,402)
Student council	3,129	2,201	2,257	3,073
Middle school student council	(1,070)	-	35	(1,105)
Cheerleaders	1,100	747	55	1,792
Drill team	1,465	5,164	3,531	3,098
National Honor Society	1,750	1,912	392	3,270
Music fundraiser	3,036	8,261	11,297	-
Pep Club	71	-	21	50
Interest	859	912	-	1,771
Renaissance	14,506	3,201	2,000	15,707
Total	\$ 61,420	\$ 129,077	\$ 130,011	\$ 60,486

## 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				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 2,132,560	\$ 2,103,137	\$ 2,142,768	\$ 2,092,341	\$ 2,008,984
Tuition	102,560	79,246	76,666	81,513	85,364
Other	301,398	255,104	242,311	220,991	244,467
State sources	1,673,772	1,623,109	1,502,553	1,431,003	1,203,310
Federal sources	138,445	177,809	145,989	163,385	170,359
Other financing sources	<u>957,578</u>	<u>11,660</u>	<u>1,046</u>	<u>1,030</u>	<u>9,937</u>
Total	<u>\$ 5,306,313</u>	<u>\$ 4,250,065</u>	<u>\$ 4,111,333</u>	<u>\$ 3,990,263</u>	<u>\$ 3,722,421</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 1,773,846	\$ 1,644,718	\$ 1,654,632	\$ 1,553,061	\$ 1,539,849
Special instruction	523,586	447,486	398,928	463,054	418,707
Other instruction	361,313	346,313	301,809	386,410	377,883
Support services:					
Student services	84,791	79,926	74,742	29,485	13,251
Instructional staff services	45,071	39,990	48,100	45,211	40,812
Administration services	443,298	432,795	423,139	330,116	253,594
Operation and maintenance of plant services	344,925	313,759	287,532	272,427	296,998
Transportation services	206,111	182,487	185,669	165,703	168,367
Other expenditures:					
Facilities acquisition	1,073,546	254,908	233,337	488,221	1,731,306
Long-term debt:					
Principal	210,000	205,000	205,000	200,000	200,000
Interest and other charges	39,290	43,288	46,773	49,572	47,733
AEA flow through	<u>160,100</u>	<u>156,200</u>	<u>148,366</u>	<u>146,568</u>	<u>147,379</u>
Total	<u>\$ 5,265,877</u>	<u>\$ 4,146,870</u>	<u>\$ 4,008,027</u>	<u>\$ 4,129,828</u>	<u>\$ 5,235,879</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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 23, 2009. 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-08, I-B-08, I-C-08 and I-D-08 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, 2008 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.

February 23, 2009  
Sioux City, Iowa

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

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES:

I-A-08 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-08 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, 2008

(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-08 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 four funds. The differences ranged from approximately \$500 to \$34,000. 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-08 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 \$173,500 relating to various goods/services received in fiscal year 2008 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, 2008

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting

- II-A-08    Certified Budget - Expenditures for the year ended June 30, 2008 exceeded the certified budget amounts in the support services and other expenditures functions.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- II-B-08    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-08    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-08    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-08    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-08    Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- II-G-08    Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08    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-08    Certified Annual Report - The Certified Annual Report (CAR) was certified to the Department of Education timely.