

REMSEN-UNION
COMMUNITY SCHOOL DISTRICT

Remsen, Iowa

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

June 30, 2009

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-10
BASIC FINANCIAL STATEMENTS:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	A 11
Statement of Activities	B 12
Governmental Fund Financial Statements:	
Balance Sheet	C 13
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 14
Statement of Revenues, Expenditures and Changes in Fund Balances	E 15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 16
Proprietary Fund Financial Statements:	
Statements of Net Assets - Proprietary Funds	G 17
Statements of Revenues, Expenses and Changes in Fund Net Assets	H 18
Statements of Cash Flows	I 19
Notes to Financial Statements	20-31
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds	32
Notes to Required Supplementary Information - Budgetary Reporting	33
OTHER SUPPLEMENTARY INFORMATION:	<u>Schedule</u>
Nonmajor Funds:	
Combining Balance Sheet	1 34
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 35
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 36
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4 37
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 <i>GOVERNMENT AUDITING STANDARDS</i>	38-39
SCHEDULE OF FINDINGS	40-43



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

Member Private Companies Practice Section of AICPA

522 4TH STREET, SUITE 200
SIOUX CITY, IA 51101-1620
(712) 258-5550
FAX (712) 277-6705

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, 2009, 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, 2009 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 15, 2010, 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 32 and 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 15, 2010
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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 Financial Highlights

- General Fund revenues increased from \$3,574,652 in fiscal 2008 to \$3,823,203 in fiscal 2009, and General Fund expenditures increased from \$3,724,310 in fiscal 2008 to \$3,999,409 in fiscal 2009. The District's General Fund balance decreased from \$1,315,091 in fiscal 2008 to \$1,149,757 in fiscal 2009, a 12.6% decrease.

The increase in General Fund revenues was primarily attributable to increased state and federal revenues. The increase in General Fund expenditures was primarily due to increased salaries and benefits, the elimination of Phase I funding and various on-time expenditures.

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, 2009 and 2008.

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

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$ 3,977	\$ 4,464	\$ 7	\$ 6	\$ 3,984	\$ 4,470	(10.9%)
Capital assets, net	4,251	3,908	3	4	4,254	3,912	8.7%
Total assets	\$ 8,228	\$ 8,372	\$ 10	\$ 10	\$ 8,238	\$ 8,382	(1.7%)
Long-term liabilities	\$ 1,865	\$ 2,243	\$ -	\$ -	\$ 1,865	\$ 2,243	(16.8%)
Other liabilities	2,474	2,432	3	2	2,477	2,434	1.8%
Total liabilities	\$ 4,339	\$ 4,675	\$ 3	\$ 2	\$ 4,342	\$ 4,677	(7.2%)
Net assets:							
Invested in capital assets, net of related debt	\$ 2,491	\$ 1,808	\$ 3	\$ 4	\$ 2,494	\$ 1,812	37.6%
Restricted	347	728	-	-	347	728	(52.3%)
Unrestricted	1,051	1,161	4	4	1,055	1,165	(9.4%)
Total net assets	\$ 3,889	\$ 3,697	\$ 7	\$ 8	\$ 3,896	\$ 3,705	5.2%

The District's combined net assets increased 5.2% or approximately \$191,000, from the prior year. The largest portion of the District's net assets is invested in capital, less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Capital assets increased due to the construction of a new administration building and media center which was completed during the year. Current assets decreased in large part due to the cash used to pay the contracts on these new additions.

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 decreased approximately \$381,000, or 52%, over the prior year primarily due to expenditures associated with construction of new additions exceeding revenues 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 \$110,000, or 9%, 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, 2009 and 2008.

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

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2009	2008	2009	2008	2009	2008	2008-2009
Revenues:							
Program revenues:							
Charges for services	\$ 317	\$ 321	\$ 109	\$ 102	\$ 426	\$ 423	1.0%
Operating grants, contributions and restricted interest	834	625	65	54	899	679	32.4%
General revenues:							
Property tax	1,890	1,901	-	-	1,890	1,901	(1.0%)
Local option sales tax	263	232	-	-	263	232	13.4%
Unrestricted state grants	1,283	1,187	-	-	1,283	1,187	8.1%
Unrestricted investment earnings	41	83	-	1	41	84	(51.2%)
Other	10	6	-	(6)	10	-	100.0%
Total revenues	\$ 4,638	\$ 4,355	\$ 174	\$ 151	\$ 4,812	\$ 4,506	6.8%
Program expenses:							
Instruction	\$ 2,982	\$ 2,724	\$ -	\$ -	\$ 2,982	\$ 2,724	9.5%
Support services	1,227	1,226	-	-	1,227	1,226	0.0%
Non-instructional programs	-	-	175	171	175	171	2.3%
Other expenses	237	228	-	-	237	228	3.9%
Total expenses	\$ 4,446	\$ 4,178	\$ 175	\$ 171	\$ 4,621	\$ 4,349	6.3%
Change in net assets	\$ 192	\$ 177	\$ (1)	\$ (20)	\$ 191	\$ 157	21.7%

Property tax and unrestricted state grants account for 65.9% of the total revenue (68.5% in 2008). The District's expenses primarily relate to instruction and support services, which account for 91.1% of the total expenses (90.8% in 2008).

During fiscal 2009, the District experienced a 6.8% increase in revenues and a 6.3% increase in expenses. State Foundation Aid increased approximately \$96,000, or 8.1% over the prior year. Instruction programs expense increased approximately \$258,000, or 9.5%, primarily due to increased staffing, pay raises and instructional supplies expense.

Governmental Activities - Revenues for governmental activities were \$4,638,192 and expenses were \$4,445,702. 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, 2009 and 2008: 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
	2009	2008	Change	2009	2008	Change
Instruction	\$ 2,982	\$ 2,724	9.5%	\$ 2,075	\$ 2,009	3.3%
Support services	1,227	1,226	0.0%	1,154	1,154	0.0%
Other expenses	237	228	3.9%	66	68	(2.9%)
Totals	\$ 4,446	\$ 4,178	6.4%	\$ 3,295	\$ 3,231	2.0%

- The cost financed by users of the District's programs was \$316,872 (\$321,359 in 2008).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$833,900 (\$624,873 in 2008).
- The net cost of governmental activities was financed with \$2,153,482 in property and other taxes (\$2,132,560 in 2008) and \$1,283,027 in unrestricted state grants (\$1,187,344 in 2008).

Business Type Activities - Revenues for business type activities were \$174,685 (\$157,429 in 2008) and expenses were \$175,399 (\$177,250 in 2008). The District's business type activities consist of the School Nutrition and Building Trades Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Governmental Fund Analysis

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,523,536, below last year's ending fund balances of \$2,064,253. However, the primary reason for the decrease is expenditures associated with construction of a new administration building and media center, exceeding revenues in the Capital Projects Fund. The District's proprietary funds reported end of year net assets of \$7,444, below last year's ending net assets of \$8,158.

Governmental Fund Highlights

The District's General Fund maintains a strong financial position with \$1,149,757 in its fund balance at June 30, 2009. However, the General Fund decreased by \$165,334 during fiscal 2009 due to expenses increasing at a faster rate than revenues.

The District's Capital Projects Fund balance decreased \$406,308 due to expenditures associated with the construction of a media center and administrative building addition during 2009.

Proprietary Fund Highlights

Revenues for business type activities were \$174,685 and expenses were \$175,399. 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 support services and other expenditures were less than budget due to lower than expected costs in these areas as well as lower than expected one-time expenditures.

The certified budget was exceeded in the instruction and non-instructional programs functional areas due to the elimination of Phase I funding, a 1.5% state funding reduction.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2009, the District had invested \$4,254,226, 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 \$198,348.

The original cost of the District's capital assets was \$6,156,112. Governmental funds account for \$6,130,721, 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 buildings and improvements. The District finalized construction of a media center and an administration building addition during the year ended June 30, 2009.

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

	Governmental Activities		Business Type Activities		Total District		Percent Change 2008-2009
	2009	2008	2009	2008	2009	2008	
Land	\$ 50	\$ 50	\$ -	\$ -	\$ 50	\$ 50	0.0%
Buildings and improvements	3,820	3,477	-	-	3,820	3,477	9.9%
Vehicles	135	148	-	-	135	148	(8.8%)
Machinery and equipment	246	233	3	4	249	237	5.1%
Totals	\$ 4,251	\$ 3,908	\$ 3	\$ 4	\$ 4,254	\$ 3,912	8.7%

Long-Term Debt - At June 30, 2009, the District had outstanding \$935,000 general obligation capital loan notes.

At June 30, 2009, the District had outstanding \$825,000 of local option sales and services tax revenue bonds to pay for the construction of a new media center and an administrative building addition.

The following table presents the District's long-term liabilities as of June 30, 2009 and 2008:

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

	June 30,		Percent Change
	<u>2009</u>	<u>2008</u>	<u>2008-2009</u>
General obligation capital			
loan notes	\$ 935	\$ 1,150	(18.7%)
Revenue bonds	825	950	(13.2%)
Early retirement	<u>105</u>	<u>143</u>	<u>(26.6%)</u>
	<u>\$ 1,865</u>	<u>\$ 2,243</u>	<u>(16.9%)</u>

Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

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.

The State of Iowa has proposed 10% budget cuts for the upcoming school year. As a result, the District is planning to reduce staff levels, increase specific tuitions and fees and move appropriate expenditures from the General Fund to other funding sources.

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, 2009

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 1,856,964	\$ 3,546	\$ 1,860,510
Receivables:			
Property tax:			
Current year	19,727	-	19,727
Succeeding year	1,996,104	-	1,996,104
Accounts	73,687	122	73,809
Prepaid expenses	30,216	-	30,216
Inventories	902	3,068	3,970
Capital assets, net of accumulated depreciation	<u>4,250,879</u>	<u>3,347</u>	<u>4,254,226</u>
 Total assets	 <u>\$ 8,228,479</u>	 <u>\$ 10,083</u>	 <u>\$ 8,238,562</u>
LIABILITIES:			
Accounts payable	\$ 68,665	\$ -	\$ 68,665
Salaries and benefits payable	389,295	-	389,295
Accrued interest payable	20,089	-	20,089
Deferred revenue - succeeding year property tax	1,996,104	-	1,996,104
Other deferred revenue	-	2,639	2,639
Long-term liabilities:			
Early retirement payable - due within one year	19,068	-	19,068
Early retirement payable - due after one year	85,895	-	85,895
General obligation capital loan notes - due within one year	225,000	-	225,000
General obligation capital loan notes - due after one year	710,000	-	710,000
Revenue bonds payable - due within one year	120,000	-	120,000
Revenue bonds payable - due after one year	<u>705,000</u>	<u>-</u>	<u>705,000</u>
Total liabilities	<u>\$ 4,339,116</u>	<u>\$ 2,639</u>	<u>\$ 4,341,755</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 2,490,879	\$ 3,347	\$ 2,494,226
Restricted for:			
Physical plant and equipment levy	42,471	-	42,471
Other special revenue purposes	71,881	-	71,881
Capital projects/bond reserve	233,037	-	233,037
Unrestricted	<u>1,051,095</u>	<u>4,097</u>	<u>1,055,192</u>
Total net assets	<u>\$ 3,889,363</u>	<u>\$ 7,444</u>	<u>\$ 3,896,807</u>
 Total liabilities and net assets	 <u>\$ 8,228,479</u>	 <u>\$ 10,083</u>	 <u>\$ 8,238,562</u>

See notes to financial statements.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,025,411	\$ 183,117	\$ 543,889
Special instruction	547,258	-	46,577
Other instruction	<u>409,767</u>	<u>133,755</u>	<u>-</u>
	<u>\$ 2,982,436</u>	<u>\$ 316,872</u>	<u>\$ 590,466</u>
Support services:			
Student services	\$ 93,168	\$ -	\$ -
Instructional staff services	46,706	-	-
Administration services	493,090	-	-
Operation and maintenance of plant services	336,674	-	-
Transportation services	<u>256,902</u>	<u>-</u>	<u>72,484</u>
	<u>\$ 1,226,540</u>	<u>\$ -</u>	<u>\$ 72,484</u>
Other expenditures:			
Long-term debt interest	\$ 65,776	\$ -	\$ -
AEA flow through	<u>170,950</u>	<u>-</u>	<u>170,950</u>
	<u>\$ 236,726</u>	<u>\$ -</u>	<u>\$ 170,950</u>
Total governmental activities	<u>\$ 4,445,702</u>	<u>\$ 316,872</u>	<u>\$ 833,900</u>
Business type activities:			
Non-instructional programs:			
Food service operations	\$ 175,399	\$ 108,632	\$ 65,597
Total business type activities	<u>\$ 175,399</u>	<u>\$ 108,632</u>	<u>\$ 65,597</u>
Total	<u>\$ 4,621,101</u>	<u>\$ 425,504</u>	<u>\$ 899,497</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			
Gain on disposal of capital assets			
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>
\$ (1,298,405)	\$ -	\$ (1,298,405)
(500,681)	-	(500,681)
<u>(276,012)</u>	<u>-</u>	<u>(276,012)</u>
<u>\$ (2,075,098)</u>	<u>\$ -</u>	<u>\$ (2,075,098)</u>
\$ (93,168)	\$ -	\$ (93,168)
(46,706)	-	(46,706)
(493,090)	-	(493,090)
(336,674)	-	(336,674)
<u>(184,418)</u>	<u>-</u>	<u>(184,418)</u>
<u>\$ (1,154,056)</u>	<u>\$ -</u>	<u>\$ (1,154,056)</u>
\$ (65,776)	\$ -	\$ (65,776)
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (65,776)</u>	<u>\$ -</u>	<u>\$ (65,776)</u>
<u>\$ (3,294,930)</u>	<u>\$ -</u>	<u>\$ (3,294,930)</u>
\$ -	\$ (1,170)	\$ (1,170)
<u>-</u>	<u>(1,170)</u>	<u>(1,170)</u>
<u>\$ (3,294,930)</u>	<u>\$ (1,170)</u>	<u>\$ (3,296,100)</u>
\$ 1,490,564	\$ -	\$ 1,490,564
95,059	-	95,059
305,101	-	305,101
262,758	-	262,758
1,283,027	-	1,283,027
40,581	456	41,037
<u>10,330</u>	<u>-</u>	<u>10,330</u>
<u>\$ 3,487,420</u>	<u>\$ 456</u>	<u>\$ 3,487,876</u>
\$ 192,490	\$ (714)	\$ 191,776
<u>3,696,873</u>	<u>8,158</u>	<u>3,705,031</u>
<u>\$ 3,889,363</u>	<u>\$ 7,444</u>	<u>\$ 3,896,807</u>

REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
ASSETS:				
Cash and pooled investments	\$ 1,508,658	\$ 211,681	\$ 136,625	\$ 1,856,964
Receivables:				
Property tax:				
Current year	15,610	-	4,117	19,727
Succeeding year	1,593,167	-	402,937	1,996,104
Accounts	52,331	21,356	-	73,687
Prepaid expenses	30,216	-	-	30,216
Inventory	<u>902</u>	<u>-</u>	<u>-</u>	<u>902</u>
Total assets	<u>\$ 3,200,884</u>	<u>\$ 233,037</u>	<u>\$ 543,679</u>	<u>\$ 3,977,600</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 68,665	\$ -	\$ -	\$ 68,665
Salaries and benefits payable	389,295	-	-	389,295
Deferred revenue:				
Succeeding year property tax	<u>1,593,167</u>	<u>-</u>	<u>402,937</u>	<u>1,996,104</u>
Total liabilities	<u>\$ 2,051,127</u>	<u>\$ -</u>	<u>\$ 402,937</u>	<u>\$ 2,454,064</u>
Fund balances:				
Unreserved	\$ 1,149,757	\$ 96,922	\$ 140,742	\$ 1,387,421
Bond sinking fund	<u>-</u>	<u>136,115</u>	<u>-</u>	<u>136,115</u>
Total fund balances	<u>\$ 1,149,757</u>	<u>\$ 233,037</u>	<u>\$ 140,742</u>	<u>\$ 1,523,536</u>
Total liabilities and fund balances	<u>\$ 3,200,884</u>	<u>\$ 233,037</u>	<u>\$ 543,679</u>	<u>\$ 3,977,600</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET ASSETS

JUNE 30, 2009

Total fund balances of governmental funds	\$ 1,523,536
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.	4,250,879
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.	(20,089)
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>(1,864,963)</u>
Net assets of governmental activities	<u>\$ 3,889,363</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 1,490,564	\$ 262,758	\$ 400,160	\$ 2,153,482
Tuition	101,327	-	-	101,327
Other	114,385	5,102	136,639	256,126
State sources	1,854,733	-	-	1,854,733
Federal sources	262,194	-	-	262,194
Total revenues	<u>\$ 3,823,203</u>	<u>\$ 267,860</u>	<u>\$ 536,799</u>	<u>\$ 4,627,862</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,933,523	\$ -	\$ 26,176	\$ 1,959,699
Special instruction	523,599	-	235	523,834
Other instruction	271,822	-	123,839	395,661
	<u>\$ 2,728,944</u>	<u>\$ -</u>	<u>\$ 150,250</u>	<u>\$ 2,879,194</u>
Support services:				
Student services	\$ 88,880	\$ -	\$ 299	\$ 89,179
Instructional staff services	44,712	-	-	44,712
Administration services	488,641	-	6,597	495,238
Operation and maintenance of plant services	253,300	-	50,342	303,642
Transportation services	223,982	-	5,667	229,649
	<u>\$ 1,099,515</u>	<u>\$ -</u>	<u>\$ 62,905</u>	<u>\$ 1,162,420</u>
Other expenditures:				
Facilities acquisition	\$ -	\$ 505,365	\$ 43,259	\$ 548,624
Long-term debt:				
Principal	-	-	340,000	340,000
Interest	-	-	78,263	78,263
AEA flow through	170,950	-	-	170,950
	<u>\$ 170,950</u>	<u>\$ 505,365</u>	<u>\$ 461,522</u>	<u>\$ 1,137,837</u>
Total expenditures	<u>\$ 3,999,409</u>	<u>\$ 505,365</u>	<u>\$ 674,677</u>	<u>\$ 5,179,451</u>
Deficiency of revenue under expenditures	<u>\$ (176,206)</u>	<u>\$ (237,505)</u>	<u>\$ (137,878)</u>	<u>\$ (551,589)</u>
Other financing sources:				
Sale of equipment	\$ 10,872	\$ -	\$ -	\$ 10,872
Transfers in	-	-	418,263	418,263
Transfers out	-	(168,803)	(249,460)	(418,263)
	<u>\$ 10,872</u>	<u>\$ (168,803)</u>	<u>\$ 168,803</u>	<u>\$ 10,872</u>
Net change in fund balances	\$ (165,334)	\$ (406,308)	\$ 30,925	\$ (540,717)
Fund balances beginning of year	<u>1,315,091</u>	<u>639,345</u>	<u>109,817</u>	<u>2,064,253</u>
Fund balances end of year	<u>\$ 1,149,757</u>	<u>\$ 233,037</u>	<u>\$ 140,742</u>	<u>\$ 1,523,536</u>

REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds \$ (540,717)

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	\$ 541,198	
Depreciation expense	<u>(197,730)</u>	343,468

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. 340,000

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. (542)

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. 12,487

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. 37,794

Change in net assets of governmental activities \$ 192,490

REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

STATEMENTS OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2009

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 2,147	\$ 1,399	\$ 3,546
Accounts receivable	122	-	122
Inventories	3,068	-	3,068
Capital assets, net of accumulated depreciation	<u>3,347</u>	<u>-</u>	<u>3,347</u>
Total assets	<u>\$ 8,684</u>	<u>\$ 1,399</u>	<u>\$ 10,083</u>
LIABILITIES:			
Deferred revenue	<u>\$ 2,639</u>	<u>\$ -</u>	<u>\$ 2,639</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 3,347	\$ -	\$ 3,347
Unrestricted	<u>2,698</u>	<u>1,399</u>	<u>4,097</u>
Total net assets	<u>\$ 6,045</u>	<u>\$ 1,399</u>	<u>\$ 7,444</u>
Total liabilities and net assets	<u>\$ 8,684</u>	<u>\$ 1,399</u>	<u>\$ 10,083</u>

REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

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

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2009

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 108,632	\$ -	\$ 108,632
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	\$ 63,008	\$ -	\$ 63,008
Benefits	8,617	-	8,617
Purchased services	1,498	-	1,498
Supplies	101,658	-	101,658
Depreciation	618	-	618
Total operating expenses	<u>\$ 175,399</u>	<u>\$ -</u>	<u>\$ 175,399</u>
Operating loss	<u>\$ (66,767)</u>	<u>\$ -</u>	<u>\$ (66,767)</u>
Non-operating revenues:			
Interest income	\$ 456	\$ -	\$ 456
State sources	2,225	-	2,225
Federal sources	51,678	-	51,678
Food distribution	11,694	-	11,694
Total non-operating revenues	<u>\$ 66,053</u>	<u>\$ -</u>	<u>\$ 66,053</u>
Change in net assets	\$ (714)	\$ -	\$ (714)
Net assets beginning of year	6,759	1,399	8,158
Net assets end of year	<u>\$ 6,045</u>	<u>\$ 1,399</u>	<u>\$ 7,444</u>

REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2009

	School Nutrition	Building Trades	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 108,695	\$ -	\$ 108,695
Cash paid to employees for services	(71,625)	-	(71,625)
Cash paid to suppliers for goods or services	(90,306)	-	(90,306)
Net cash used by operating activities	<u>\$ (53,236)</u>	<u>\$ -</u>	<u>\$ (53,236)</u>
Cash flows from non-capital financing activities:			
State grants received	\$ 2,225	\$ -	\$ 2,225
Federal grants received	51,678	-	51,678
Net cash provided by non-capital financing activities	<u>\$ 53,903</u>	<u>\$ -</u>	<u>\$ 53,903</u>
Cash flows from investing activities:			
Interest on investments	\$ 456	\$ -	\$ 456
Net cash provided by investing activities:	<u>\$ 456</u>	<u>\$ -</u>	<u>\$ 456</u>
Net change in cash and cash equivalents	\$ 1,123	\$ -	\$ 1,123
Cash and cash equivalents beginning of year	1,024	1,399	2,423
Cash and cash equivalents end of year	<u>\$ 2,147</u>	<u>\$ 1,399</u>	<u>\$ 3,546</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (66,767)	\$ -	\$ (66,767)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	12,495	-	12,495
Depreciation	618	-	618
(Increase) in accounts receivable	(122)	-	(122)
Decrease in inventories	355	-	355
Increase in deferred revenues	185	-	185
Net cash used by operating activities	<u>\$ (53,236)</u>	<u>\$ -</u>	<u>\$ (53,236)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$11,694 of federal commodities.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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, 2009

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, 2009

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, 2009

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments 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, 2009

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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

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, 2009

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.

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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

Subsequent Events - The District evaluated for subsequent events through January 15, 2010, the date which the District's financial statements were available to be issued.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the instruction and non-instructional programs functional areas exceeded the amounts budgeted.

NOTE 2 - CASH AND CASH EQUIVALENTS:

The District's deposits in banks at June 30, 2009 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, 2009, the District had cash and investments as follows:

Cash	\$ 1,260,510
Certificates of Deposit	<u>600,000</u>
	<u>\$ 1,860,510</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, 2009

NOTE 3 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning <u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	Balance End <u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	<u>989,971</u>	<u>-</u>	<u>989,971</u>	<u>-</u>
Total capital assets not being depreciated	<u>\$ 1,039,971</u>	<u>\$ -</u>	<u>\$ 989,971</u>	<u>\$ 50,000</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 3,451,616	\$ 1,448,077	\$ 100,000	\$ 4,799,693
Vehicles	530,276	14,600	-	544,876
Machinery and equipment	<u>767,680</u>	<u>68,492</u>	<u>100,020</u>	<u>736,152</u>
Total capital assets being depreciated	<u>\$ 4,749,572</u>	<u>\$ 1,531,169</u>	<u>\$ 200,020</u>	<u>\$ 6,080,721</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 964,415	\$ 115,257	\$ 100,000	\$ 979,672
Vehicles	382,444	27,253	-	409,697
Machinery and equipment	<u>534,731</u>	<u>55,220</u>	<u>99,478</u>	<u>490,473</u>
Total accumulated depreciation	<u>\$ 1,881,590</u>	<u>\$ 197,730</u>	<u>\$ 199,478</u>	<u>\$ 1,879,842</u>
Total capital assets being depreciated, net	<u>\$ 2,867,982</u>	<u>\$ 1,333,439</u>	<u>\$ 542</u>	<u>\$ 4,200,879</u>
Total governmental activities capital assets, net	<u>\$ 3,907,953</u>	<u>\$ 1,333,439</u>	<u>\$ 990,513</u>	<u>\$ 4,250,879</u>
Add: Accumulated depreciation				<u>1,879,842</u>
Total capital assets				<u>\$ 6,130,721</u>
Business type activities:				
Furniture and equipment	\$ 25,391	\$ -	\$ -	\$ 25,391
Less accumulated depreciation	<u>21,426</u>	<u>618</u>	<u>-</u>	<u>22,044</u>
Business type activities capital assets, net	<u>\$ 3,965</u>	<u>\$ (618)</u>	<u>\$ -</u>	<u>\$ 3,347</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 3 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 87,642
Special	23,424
Other	17,696

Support services:

Student	3,989
Instructional staff	1,994
Administration	22,145
Operation and maintenance of plant	13,587
Transportation	<u>27,253</u>

Total depreciation expense - governmental activities \$ 197,730

Business type activities:

Food service operations	<u>\$ 618</u>
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NOTE 4 - LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2009 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	\$ 1,150,000	\$ -	\$ 215,000	\$ 935,000	\$ 225,000
Revenue bonds	950,000	-	125,000	825,000	120,000
Early retirement	<u>142,757</u>	<u>-</u>	<u>37,794</u>	<u>104,963</u>	<u>19,068</u>
Total	<u>\$ 2,242,757</u>	<u>\$ -</u>	<u>\$ 377,794</u>	<u>\$ 1,864,963</u>	<u>\$ 364,068</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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED):

At June 30, 2009, the District had obligations to four participants with a total liability of \$104,963 extending through the year ending June 30, 2018. Early retirement benefits paid during the year ended June 30, 2009, totaled \$18,657. The total liability for early retirement is recorded in the governmental-wide financial statements and is calculated assuming an annual 10 percent increase in monthly premiums with a 5 percent discount rate.

Details of the District's June 30, 2009 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>
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>\$ 935,000</u>	<u>\$ 74,271</u>	<u>\$ 1,009,271</u>

Details of the District's June 30, 2009 revenue bonds are as follows:

<u>June 30,</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 825,000</u>	<u>\$ 102,230</u>	<u>\$ 927,230</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 \$927,230. For the current year, principal and interest paid on the bonds totaled \$168,803 and total local option sales and services tax revenues were \$262,758.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 4 - 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 there from 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, 2009.

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 4.10 percent of their annual covered salary and the District is required to contribute 6.35 percent of annual covered payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$149,086, \$135,159 and \$119,752, respectively, equal to the required contributions for each year.

NOTE 6 - INTERFUND TRANSFERS:

During the year ended June 30, 2009, \$249,460 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, 2009, \$168,803 was transferred from the Capital Projects Fund to the Debt Service Fund in order to provide for principal and interest payments on the District's long-term debt.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 \$170,950 for the year ended June 30, 2009 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, 2009, the District entered into a contract for the construction of a weight room addition. The project's budget is \$50,000 with any additional amount requiring Board approval.

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, 2009

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total Actual</u>
Revenues:			
Local sources	\$ 2,510,935	\$ 109,088	\$ 2,620,023
State sources	1,854,733	2,225	1,856,958
Federal sources	<u>262,194</u>	<u>51,678</u>	<u>313,872</u>
Total revenues	<u>\$ 4,627,862</u>	<u>\$ 162,991</u>	<u>\$ 4,790,853</u>
Expenditures/Expenses:			
Instruction	\$ 2,879,194	\$ -	\$ 2,879,194
Support services	1,162,420	-	1,162,420
Non-instructional programs	-	163,705	163,705
Other expenditures	<u>1,137,837</u>	<u>-</u>	<u>1,137,837</u>
Total expenditures/expenses	<u>\$ 5,179,451</u>	<u>\$ 163,705</u>	<u>\$ 5,343,156</u>
Deficiencies of revenue under expenditures	\$ (551,589)	\$ (714)	\$ (552,303)
Other financing sources	<u>10,872</u>	<u>-</u>	<u>10,872</u>
Deficiency of revenue and other financing sources under expenditures	\$ (540,717)	\$ (714)	\$ (541,431)
Balances beginning of year	<u>2,064,253</u>	<u>8,158</u>	<u>2,072,411</u>
Balances end of year	<u>\$ 1,523,536</u>	<u>\$ 7,444</u>	<u>\$ 1,530,980</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
<u>Original</u>	<u>Final</u>	Actual
		<u>Variance</u>
\$ 2,603,658	\$ 2,603,658	\$ 16,365
1,931,440	1,931,440	(74,482)
<u>212,500</u>	<u>212,500</u>	<u>101,372</u>
\$ <u>4,747,598</u>	\$ <u>4,747,598</u>	\$ <u>43,255</u>
\$ 2,816,631	\$ 2,816,631	\$ (62,563)
1,368,800	1,368,800	206,380
157,000	157,000	(6,705)
<u>1,141,878</u>	<u>1,141,878</u>	<u>4,041</u>
\$ <u>5,484,309</u>	\$ <u>5,484,309</u>	\$ <u>141,153</u>
\$ <u>(736,711)</u>	\$ <u>(736,711)</u>	\$ <u>184,408</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2009

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, 2009, expenditures in the instruction and non-instructional programs functional areas exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

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

JUNE 30, 2009

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	\$ 25,395	\$ 71,881	\$ 39,349	\$ -	\$ 136,625
Receivables:					
Property tax:					
Current year	995	-	3,122	-	4,117
Succeeding year	<u>90,000</u>	<u>-</u>	<u>312,937</u>	<u>-</u>	<u>402,937</u>
Total assets	<u>\$ 116,390</u>	<u>\$ 71,881</u>	<u>\$ 355,408</u>	<u>\$ -</u>	<u>\$ 543,679</u>

LIABILITIES AND FUND EQUITY

Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue:					
Succeeding year property tax	<u>90,000</u>	<u>-</u>	<u>312,937</u>	<u>-</u>	<u>402,937</u>
Total liabilities	<u>\$ 90,000</u>	<u>\$ -</u>	<u>\$ 312,937</u>	<u>\$ -</u>	<u>\$ 402,937</u>
Fund equity:					
Unreserved fund balances	<u>\$ 26,390</u>	<u>\$ 71,881</u>	<u>\$ 42,471</u>	<u>\$ -</u>	<u>\$ 140,742</u>
Total liabilities and fund equity	<u>\$ 116,390</u>	<u>\$ 71,881</u>	<u>\$ 355,408</u>	<u>\$ -</u>	<u>\$ 543,679</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR FUNDS

YEAR ENDED JUNE 30, 2009

	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	Debt <u>Service</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 95,059	\$ -	\$ 305,101	\$ -	\$ 400,160
Other	-	134,685	1,954	-	136,639
Total revenues	<u>\$ 95,059</u>	<u>\$ 134,685</u>	<u>\$ 307,055</u>	<u>\$ -</u>	<u>\$ 536,799</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 26,176	\$ -	\$ -	\$ -	\$ 26,176
Special instruction	235	-	-	-	235
Other instruction	549	123,290	-	-	123,839
	<u>\$ 26,960</u>	<u>\$ 123,290</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,250</u>
Support services:					
Student services	\$ 299	\$ -	\$ -	\$ -	\$ 299
Administration services	6,597	-	-	-	6,597
Operation and maintenance of plant services	50,342	-	-	-	50,342
Transportation services	5,667	-	-	-	5,667
	<u>\$ 62,905</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,905</u>
Other expenditures:					
Facilities acquisitions	\$ -	\$ -	\$ 43,259	\$ -	\$ 43,259
Long-term debt:					
Principal	-	-	-	340,000	340,000
Interest	-	-	-	78,263	78,263
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,259</u>	<u>\$ 418,263</u>	<u>\$ 461,522</u>
Total expenditures	<u>\$ 89,865</u>	<u>\$ 123,290</u>	<u>\$ 43,259</u>	<u>\$ 418,263</u>	<u>\$ 674,677</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 5,194</u>	<u>\$ 11,395</u>	<u>\$ 263,796</u>	<u>\$ (418,263)</u>	<u>\$ (137,878)</u>
Other financing sources:					
Transfers in	\$ -	\$ -	\$ -	\$ 418,263	\$ 418,263
Transfers out	-	-	(249,460)	-	(249,460)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (249,460)</u>	<u>\$ 418,263</u>	<u>\$ 168,803</u>
Net change in fund balances	\$ 5,194	\$ 11,395	\$ 14,336	\$ -	\$ 30,925
Fund balances beginning of year	<u>21,196</u>	<u>60,486</u>	<u>28,135</u>	<u>-</u>	<u>109,817</u>
Fund balances end of year	<u>\$ 26,390</u>	<u>\$ 71,881</u>	<u>\$ 42,471</u>	<u>\$ -</u>	<u>\$ 140,742</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2009

ACCOUNT:	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 5,533	\$ 42,465	\$ 38,258	\$ 9,740
Class of 2006	1,450	-	1,450	-
Class of 2007	130	-	130	-
Class of 2008	1,448	-	1,448	-
Class of 2009	1,836	1,204	2,967	73
Class of 2010	3,899	1,194	3,457	1,636
Class of 2011	4,070	655	215	4,510
Class of 2012	2,985	-	48	2,937
Class of 2013	2,642	2,837	1,871	3,608
Class of 2014	1,838	3,664	2,198	3,304
Class of 2015	-	3,009	1,089	1,920
Have Club	9,401	44,231	41,136	12,496
Annual	(2,402)	13,338	5,609	5,327
Student council	3,073	3,140	5,185	1,028
Middle school student council	(1,105)	1,346	-	241
Cheerleaders	1,792	773	1,825	740
Drill team	3,098	2,507	1,777	3,828
National Honor Society	3,270	1,124	559	3,835
Deca	-	9,050	10,808	(1,758)
Pep Club	50	-	-	50
Interest	1,771	930	1,771	930
Renaissance	15,707	3,218	1,489	17,436
Total	\$ 60,486	\$ 134,685	\$ 123,290	\$ 71,881

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS

FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 2,153,482	\$ 2,132,560	\$ 2,103,137	\$ 2,142,768	\$ 2,092,341	\$ 2,008,984
Tuition	101,327	102,560	79,246	76,666	81,513	85,364
Other	256,126	301,398	255,104	242,311	220,991	244,467
State sources	1,854,733	1,673,772	1,623,109	1,502,553	1,431,003	1,203,310
Federal sources	262,194	138,445	177,809	145,989	163,385	170,359
Other financing sources	10,872	957,578	11,660	1,046	1,030	9,937
Total	<u>\$ 4,638,734</u>	<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	\$ 1,959,699	\$ 1,773,846	\$ 1,644,718	\$ 1,654,632	\$ 1,553,061	\$ 1,539,849
Special instruction	523,834	523,586	447,486	398,928	463,054	418,707
Other instruction	395,661	361,313	346,313	301,809	386,410	377,883
Support services:						
Student services	89,179	84,791	79,926	74,742	29,485	13,251
Instructional staff services	44,712	45,071	39,990	48,100	45,211	40,812
Administration services	495,238	443,298	432,795	423,139	330,116	253,594
Operation and maintenance of plant services	303,642	344,925	313,759	287,532	272,427	296,998
Transportation services	229,649	206,111	182,487	185,669	165,703	168,367
Other expenditures:						
Facilities acquisition	548,624	1,073,546	254,908	233,337	488,221	1,731,306
Long-term debt:						
Principal	340,000	210,000	205,000	205,000	200,000	200,000
Interest and other charges	78,263	39,290	43,288	46,773	49,572	47,733
AEA flow through	170,950	160,100	156,200	148,366	146,568	147,379
Total	<u>\$ 5,179,451</u>	<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>



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

Member Private Companies Practice Section of AICPA

522 4TH STREET, SUITE 200
SIOUX CITY, IA 51101-1620
(712) 258-5550
FAX (712) 277-6705

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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 15, 2010. 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 effectiveness of the District's 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-09, I-B-09 and I-C-09 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*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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 15, 2010
Sioux City, Iowa

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

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES:

I-A-09 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-09 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, 2009

(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-09 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 \$600 to \$173,500. 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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2009

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting

II-A-09 Certified Budget - Expenditures for the year ended June 30, 2009 exceeded the certified budget amounts in the instruction and non-instructional programs 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-09 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-09 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-09 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-09 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-09 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-09 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-09 Certified Annual Report - The Certified Annual Report (CAR) was certified to the Department of Education timely.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2009

(CONTINUED)

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

II-J-09 Categorical Funding - We noted no instances of categorical funding being used to supplant rather than supplement other funds in accordance with Chapter 256D.2 of the Code of Iowa and Iowa Department of Education administrative rules.

II-K-09 Statewide Sales and Services Tax - Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$	-
Statewide sales and services tax revenue		262,758
Expenditures/transfers out:		
School infrastructure:		
Equipment		<u>262,758</u>
Ending balance	\$	<u> -</u>

II-L-09 Deficit Balance - One student activity account had a deficit balance at June 30, 2009.

Recommendation - The District should investigate alternatives to eliminate this deficit in order to return this account to a sound financial condition.

Response - The District is investigating alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.