

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, 2011

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, 2011, 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, 2011, 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 12, 2012, 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.



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

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 35 through 37 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 6, 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 12, 2012  
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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2011 Financial Highlights

- General Fund revenues increased from \$3,713,669 in fiscal 2010 to \$3,899,154 in fiscal 2011, and General Fund expenditures increased from \$4,104,385 in fiscal 2010 to \$4,198,996 in fiscal 2011. General Fund expenditures exceeded revenues by \$299,842 in fiscal 2011; therefore, the General Fund balance decreased from \$760,956 to \$461,114, a 39.4% decrease.

The increase in General Fund revenues was primarily attributable to an increase in local taxes and state foundation aid offset by a decrease in federal monies. The increase in General Fund expenditures was primarily due to increased salaries and benefits. The amount general fund expenditures exceeded revenues decreased from \$388,801 in fiscal 2010 to \$299,842 in fiscal 2011.

### 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and capital project accounts.

## 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 program is included here.

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show 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, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. Proprietary Funds - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, 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, 2011 and 2010.

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

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 3,573	\$ 3,664	\$ 40	\$ 14	\$ 3,613	\$ 3,678	(1.8%)
Capital assets, net	4,424	4,271	2	3	4,426	4,274	3.6%
Total assets	\$ 7,997	\$ 7,935	\$ 42	\$ 17	\$ 8,039	\$ 7,952	1.1%
Long-term liabilities	\$ 1,287	\$ 1,600	\$ -	\$ -	\$ 1,287	\$ 1,600	(19.6%)
Other liabilities	2,937	2,610	3	2	2,940	2,612	12.6%
Total liabilities	\$ 4,224	\$ 4,210	\$ 3	\$ 2	\$ 4,227	\$ 4,212	0.4%
Net assets:							
Invested in capital assets, net of related debt	\$ 3,369	\$ 2,856	\$ 2	\$ 3	\$ 3,371	\$ 2,859	17.9%
Restricted	183	317	-	-	183	317	(42.3%)
Unrestricted	221	552	37	12	258	564	(54.3%)
Total net assets	\$ 3,773	\$ 3,725	\$ 39	\$ 15	\$ 3,812	\$ 3,740	1.9%

The District's combined net assets increased 1.9% or approximately \$72,000, 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 primarily to construction-in-progress on the new multi-purpose room addition.

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 \$134,000, or 42.3%, over the prior year primarily due to construction costs associated with a multi-purpose room addition paid from capital projects accounts.

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 \$306,000, or 54.3%, over the prior year primarily due to the decrease in the District's general fund as previously discussed.

Figure A-2 shows the change in net assets for the years ended June 30, 2011 and 2010.

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

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$ 376	\$ 261	\$ 115	\$ 111	\$ 491	\$ 372	32.0%
Operating grants, contributions and restricted interest	816	1,078	78	68	894	1,146	(22.0%)
General revenues:							
Property tax	2,157	1,995	-	-	2,157	1,995	8.1%
Statewide sales, services and use tax	262	248	-	-	262	248	5.6%
Unrestricted state grants	1,096	865	-	-	1,096	865	26.7%
Unrestricted investment earnings	15	31	1	-	16	31	(48.4%)
Other	-	2	-	-	-	2	(100.0%)
Total revenues	<u>\$ 4,722</u>	<u>\$ 4,480</u>	<u>\$ 194</u>	<u>\$ 179</u>	<u>\$ 4,916</u>	<u>\$ 4,659</u>	<u>5.5%</u>
<b>Program expenses:</b>							
Instruction	\$ 3,115	\$ 3,073	\$ -	\$ -	\$ 3,115	\$ 3,073	1.4%
Support services	1,325	1,326	-	-	1,325	1,326	0.0%
Non-instructional programs	-	-	169	171	169	171	(1.1%)
Other expenses	234	246	-	-	234	246	(4.9%)
Total expenses	<u>\$ 4,674</u>	<u>\$ 4,645</u>	<u>\$ 169</u>	<u>\$ 171</u>	<u>\$ 4,843</u>	<u>\$ 4,816</u>	<u>0.6%</u>
Change in net assets	<u>\$ 48</u>	<u>\$ (165)</u>	<u>\$ 25</u>	<u>\$ 8</u>	<u>\$ 73</u>	<u>\$ (157)</u>	<u>146.5%</u>

Property tax and unrestricted state grants account for 66.2% of the total revenue (61.4% in 2010). The District's expenses primarily relate to instruction and support services, which account for 91.7% of the total expenses (91.3% in 2010).

During fiscal year 2011, the District experienced a 5.5% increase in revenues and a 0.6% increase in expenses. State Foundation Aid increased approximately \$231,000, or 26.7% over the prior year due primarily to an increase in allowable growth and additional state funding for the preschool program. Operating Grants, Contributions and Restricted Interest decreased approximately \$252,000, or 22.0% over the prior year due primarily to decreased federal awards associated with the American Reinvestment and Recovery Act. Charges for Services increased approximately \$119,000, or 32.0% over the prior year due to additional special education services, instruction and para-education services. The small overall increase in District expenses was primarily due to cost of living increases to salaries and benefits.

Governmental Activities - Revenues for governmental activities were \$4,722,316 and expenses were \$4,673,890. 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, 2011 and 2010: 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
	2011	2010	Change	2011	2010	Change
Instruction	\$ 3,115	\$ 3,073	1.4%	\$ 2,173	\$ 1,988	9.3%
Support services	1,325	1,326	0.0%	1,265	1,261	0.3%
Other expenses	234	246	(4.9%)	44	57	(22.8%)
Totals	\$ 4,674	\$ 4,645	0.6%	\$ 3,482	\$ 3,306	5.3%

- The cost financed by users of the District's programs was \$375,811 (\$260,781 in 2010).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$815,809 (\$1,078,185 in 2010).
- The net cost of governmental activities was financed with \$2,419,368 in property and other taxes (\$2,243,001 in 2010) and \$1,095,664 in unrestricted state grants (\$865,329 in 2010).

*Business Type Activities* - Revenues for business type activities were \$193,904 (\$178,780 in 2010) and expenses were \$169,498 (\$171,358 in 2010). The District's business type activities consist of the School Nutrition Fund. 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 \$650,539, below last year's ending fund balances of \$1,071,996. The primary reason for the decrease is due to the decrease in the District's general fund as previously discussed. The District's proprietary funds reported end of year net assets of \$39,272, above last year's ending net assets of \$14,866.

### **Governmental Fund Highlights**

The District's General Fund decreased its financial position with \$461,114 in its fund balance at June 30, 2011. The General Fund decreased by \$299,842 during fiscal 2011 as previously discussed. The District's capital projects decreased by \$134,575 during fiscal 2011 primarily due to additional capital expenditures.

### Proprietary Fund Highlights

Revenues for business type activities were \$193,904 and expenses were \$169,498. The District's business type activities consist of the School Nutrition Fund. 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 federal sources and state sources less than budget due to unexpected changes in revenue sources.

The District's actual instruction, support services and non-instructional programs functional areas 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 other expenditures area due to higher than anticipated facility acquisition and construction costs.

### Capital Assets and Debt Administration

Capital Assets - At June 30, 2011, the District had invested \$4,426,087, net of accumulated depreciation/amortization, 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/amortization expense for the year was \$226,707.

The original cost of the District's capital assets was \$6,720,485. Governmental funds account for \$6,695,094, with the remainder of \$25,391 accounted for in the Proprietary, School Nutrition Fund.

	Capital Assets, Net of Depreciation/Amortization						Percent Change 2010-2011
	Governmental Activities		Business Type Activities		Total District		
	2011	2010	2011	2010	2011	2010	
Land	\$ 50	\$ 50	\$ -	\$ -	\$ 50	\$ 50	0%
Construction in process	217	-	-	-	217	-	100%
Buildings and improvements	3,738	3,801	-	-	3,738	3,801	(1.7%)
Vehicles	207	188	-	-	207	188	10.1%
Machinery and equipment	208	230	2	3	210	233	(9.9%)
Intangibles	4	2	-	-	4	2	100%
Totals	<u>\$ 4,424</u>	<u>\$ 4,271</u>	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 4,426</u>	<u>\$ 4,274</u>	<u>3.6%</u>

The largest change in capital asset activity during the year was in construction-in-progress due to the beginning of work on the multi-purpose room addition.

Long-Term Liabilities - At June 30, 2011, the District had outstanding \$480,000 general obligation capital loan notes.

At June 30, 2011, the District had outstanding \$575,000 of statewide sales, services and use 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, 2011 and 2010:

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

	June 30,		Percent Change
	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
General obligation capital loan notes	\$ 480	\$ 710	(32.4%)
Revenue bonds	575	705	(18.4%)
Early retirement	181	159	13.9%
Net OPEB liability	51	26	96.2%
	<u>\$ 1,287</u>	<u>\$ 1,600</u>	<u>(19.6%)</u>

Additional information about the District's long-term liabilities 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 effect on the budget. Also, budget cuts by the State of Iowa may hinder growth opportunities.
- The District has implemented district-wide reductions in expenditures to counteract the losses reported in the general fund over the last couple of years. The District is also considering levy adjustments for the fiscal year 2013 budget if it anticipates additional losses to the general fund.

**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, 2011

	Governmental Activities	Business Type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 1,197,985	\$ 38,283	\$ 1,236,268
Receivables:			
Property tax:			
Current year	20,350	-	20,350
Succeeding year	2,248,338	-	2,248,338
Accounts	77,363	-	77,363
Prepaid expenses	29,057	-	29,057
Inventories	-	1,559	1,559
Capital assets, net of accumulated depreciation/amortization	<u>4,423,978</u>	<u>2,109</u>	<u>4,426,087</u>
Total assets	<u>\$ 7,997,071</u>	<u>\$ 41,951</u>	<u>\$ 8,039,022</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 195,768	\$ -	\$ 195,768
Salaries and benefits payable	416,206	-	416,206
Accrued interest payable	14,513	-	14,513
Deferred revenue - succeeding year property tax	2,248,338	-	2,248,338
Other deferred revenue	62,242	2,679	64,921
Long-term liabilities:			
Portion due within one year:			
Early retirement	62,483	-	62,483
General obligation capital loan notes	235,000	-	235,000
Revenue bonds	135,000	-	135,000
Portion due after one year:			
Early retirement	118,327	-	118,327
General obligation capital loan notes	245,000	-	245,000
Revenue bonds	440,000	-	440,000
Net OPEB liability	<u>51,200</u>	<u>-</u>	<u>51,200</u>
Total liabilities	<u>\$ 4,224,077</u>	<u>\$ 2,679</u>	<u>\$ 4,226,756</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	\$ 3,368,978	\$ 2,109	\$ 3,371,087
Restricted for:			
Categorical funding	28,858	-	28,858
Capital projects	73,060	-	73,060
Other special revenue purposes	81,021	-	81,021
Unrestricted	<u>221,077</u>	<u>37,163</u>	<u>258,240</u>
Total net assets	<u>\$ 3,772,994</u>	<u>\$ 39,272</u>	<u>\$ 3,812,266</u>
Total liabilities and net assets	<u>\$ 7,997,071</u>	<u>\$ 41,951</u>	<u>\$ 8,039,022</u>

See notes to financial statements.

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REMSEN-UNION COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

		<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	\$ 2,147,532	\$ 202,873	\$ 524,955
Special instruction	581,894	50,892	29,947
Other instruction	<u>385,102</u>	<u>122,046</u>	<u>10,703</u>
	<u>\$ 3,114,528</u>	<u>\$ 375,811</u>	<u>\$ 565,605</u>
Support services:			
Student services	\$ 97,164	\$ -	\$ -
Instructional staff services	55,999	-	-
Administration services	606,596	-	-
Operation and maintenance of plant services	294,365	-	-
Transportation services	<u>270,724</u>	<u>-</u>	<u>60,065</u>
	<u>\$ 1,324,848</u>	<u>\$ -</u>	<u>\$ 60,065</u>
Other expenditures:			
Long-term debt interest	\$ 44,375	\$ -	\$ -
AEA flow through	<u>190,139</u>	<u>-</u>	<u>190,139</u>
	<u>\$ 234,514</u>	<u>\$ -</u>	<u>\$ 190,139</u>
Total governmental activities	<u>\$ 4,673,890</u>	<u>\$ 375,811</u>	<u>\$ 815,809</u>
Business type activities:			
Non-instructional programs:			
Food service operations	\$ 169,498	\$ 115,469	\$ 77,935
Total business type activities	<u>\$ 169,498</u>	<u>\$ 115,469</u>	<u>\$ 77,935</u>
Total	<u>\$ 4,843,388</u>	<u>\$ 491,280</u>	<u>\$ 893,744</u>
<b>GENERAL REVENUES:</b>			
Property tax levied for:			
General purposes			
Management levy			
Physical plant and equipment levy			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
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		
Governmental Activities	Business Type Activities	Total
\$ (1,419,704)	\$ -	\$ (1,419,704)
(501,055)	-	(501,055)
(252,353)	-	(252,353)
<u>\$ (2,173,112)</u>	<u>\$ -</u>	<u>\$ (2,173,112)</u>
\$ (97,164)	\$ -	\$ (97,164)
(55,999)	-	(55,999)
(606,596)	-	(606,596)
(294,365)	-	(294,365)
(210,659)	-	(210,659)
<u>\$ (1,264,783)</u>	<u>\$ -</u>	<u>\$ (1,264,783)</u>
\$ (44,375)	\$ -	\$ (44,375)
-	-	-
<u>\$ (44,375)</u>	<u>\$ -</u>	<u>\$ (44,375)</u>
<u>\$ (3,482,270)</u>	<u>\$ -</u>	<u>\$ (3,482,270)</u>
\$ -	\$ 23,906	\$ 23,906
\$ -	\$ 23,906	\$ 23,906
<u>\$ (3,482,270)</u>	<u>\$ 23,906</u>	<u>\$ (3,458,364)</u>
\$ 1,732,352	\$ -	\$ 1,732,352
110,139	-	110,139
314,930	-	314,930
261,947	-	261,947
1,095,664	-	1,095,664
15,664	500	16,164
<u>\$ 3,530,696</u>	<u>\$ 500</u>	<u>\$ 3,531,196</u>
\$ 48,426	\$ 24,406	\$ 72,832
<u>3,724,568</u>	<u>14,866</u>	<u>3,739,434</u>
<u>\$ 3,772,994</u>	<u>\$ 39,272</u>	<u>\$ 3,812,266</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICTBALANCE SHEET - GOVERNMENTAL FUNDSJUNE 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>ASSETS:</b>				
Cash and pooled investments	\$ 916,971	\$ 165,687	\$ 115,327	\$ 1,197,985
Receivables:				
Property tax:				
Current year	16,335	2,977	1,038	20,350
Succeeding year	1,787,582	330,756	130,000	2,248,338
Accounts	56,314	21,049	-	77,363
Prepaid expenses	<u>29,057</u>	<u>-</u>	<u>-</u>	<u>29,057</u>
Total assets	<u>\$ 2,806,259</u>	<u>\$ 520,469</u>	<u>\$ 246,365</u>	<u>\$ 3,573,093</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Accounts payable	\$ 79,115	\$ 116,653	\$ -	\$ 195,768
Salaries and benefits payable	416,206	-	-	416,206
Deferred revenue:				
Succeeding year property tax	1,787,582	330,756	130,000	2,248,338
Other	<u>62,242</u>	<u>-</u>	<u>-</u>	<u>62,242</u>
Total liabilities	<u>\$ 2,345,145</u>	<u>\$ 447,409</u>	<u>\$ 130,000</u>	<u>\$ 2,922,554</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	\$ 29,057	\$ -	\$ -	\$ 29,057
Restricted for:				
Categorical funding	28,858	-	-	28,858
Management levy purposes	-	-	35,344	35,344
Student activities	-	-	81,021	81,021
School infrastructure	-	52,056	-	52,056
Physical plant and equipment	-	21,004	-	21,004
Unassigned	<u>403,199</u>	<u>-</u>	<u>-</u>	<u>403,199</u>
Total fund balances	<u>\$ 461,114</u>	<u>\$ 73,060</u>	<u>\$ 116,365</u>	<u>\$ 650,539</u>
Total liabilities and fund balances	<u>\$ 2,806,259</u>	<u>\$ 520,469</u>	<u>\$ 246,365</u>	<u>\$ 3,573,093</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDSTO THE STATEMENT OF NET ASSETSJUNE 30, 2011

Total fund balances of governmental funds	\$ 650,539
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.	4,423,978
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.	(14,513)
Long-term liabilities, including bonds payable, early retirement and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,287,010)</u>
Net assets of governmental activities	<u>\$ 3,772,994</u>

## REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

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

## GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 1,732,352	\$ 576,877	\$ 110,139	\$ 2,419,368
Tuition	141,210	-	-	141,210
Other	124,823	13,507	122,639	260,969
State sources	1,688,870	-	-	1,688,870
Federal sources	211,899	-	-	211,899
Total revenues	<u>\$ 3,899,154</u>	<u>\$ 590,384</u>	<u>\$ 232,778</u>	<u>\$ 4,722,316</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,043,617	\$ -	\$ 45,658	\$ 2,089,275
Special instruction	555,389	-	205	555,594
Other instruction	251,526	-	116,167	367,693
	<u>\$ 2,850,532</u>	<u>\$ -</u>	<u>\$ 162,030</u>	<u>\$ 3,012,562</u>
Support services:				
Student services	\$ 92,510	\$ -	\$ 255	\$ 92,765
Instructional staff services	53,464	-	-	53,464
Administration services	495,835	-	6,404	502,239
Operation and maintenance of plant services	239,341	-	38,403	277,744
Transportation services	277,175	-	12,726	289,901
	<u>\$ 1,158,325</u>	<u>\$ -</u>	<u>\$ 57,788</u>	<u>\$ 1,216,113</u>
Other expenditures:				
Facilities acquisition	\$ -	\$ 317,016	\$ -	\$ 317,016
Long-term debt:				
Principal	-	-	360,000	360,000
Interest	-	-	47,943	47,943
AEA flow through	190,139	-	-	190,139
	<u>\$ 190,139</u>	<u>\$ 317,016</u>	<u>\$ 407,943</u>	<u>\$ 915,098</u>
Total expenditures	<u>\$ 4,198,996</u>	<u>\$ 317,016</u>	<u>\$ 627,761</u>	<u>\$ 5,143,773</u>
(Deficiency) excess of revenue (under) over expenditures	<u>\$ (299,842)</u>	<u>\$ 273,368</u>	<u>\$ (394,983)</u>	<u>\$ (421,457)</u>
Other financing sources:				
Transfers in	\$ -	\$ -	\$ 407,943	\$ 407,943
Transfers out	-	(407,943)	-	(407,943)
	<u>\$ -</u>	<u>\$ (407,943)</u>	<u>\$ 407,943</u>	<u>\$ -</u>
Net change in fund balances	\$ (299,842)	\$ (134,575)	\$ 12,960	\$ (421,457)
Fund balances beginning of year, as restated	760,956	207,635	103,405	1,071,996
Fund balances end of year	<u>\$ 461,114</u>	<u>\$ 73,060</u>	<u>\$ 116,365</u>	<u>\$ 650,539</u>

See notes to financial statements.

REMSEN-UNION COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds \$ (421,457)

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/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 379,202	
Depreciation/amortization expense	<u>(226,088)</u>	153,114

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.		360,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		3,568
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ (21,599)	
Other postemployment benefits	<u>(25,200)</u>	<u>(46,799)</u>

Change in net assets of governmental activities		<u>\$ 48,426</u>
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REMSEN-UNION COMMUNITY SCHOOL DISTRICTSTATEMENT OF NET ASSETS - PROPRIETARY FUNDJUNE 30, 2011

	<u>School Nutrition</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 38,283
Inventories	1,559
Capital assets, net of accumulated depreciation	<u>2,109</u>
Total assets	<u>\$ 41,951</u>
<b>LIABILITIES:</b>	
Deferred revenue	<u>\$ 2,679</u>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	\$ 2,109
Unrestricted	<u>37,163</u>
Total net assets	<u>\$ 39,272</u>
Total liabilities and net assets	<u>\$ 41,951</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -PROPRIETARY FUNDYEAR ENDED JUNE 30, 2011

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ <u>115,469</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 58,277
Benefits	8,435
Supplies	102,167
Depreciation	<u>619</u>
Total operating expenses	\$ <u>169,498</u>
Operating loss	\$ <u>(54,029)</u>
Non-operating revenues:	
Interest income	\$ 500
State sources	1,741
Federal sources	65,715
Food distribution	<u>10,479</u>
Total non-operating revenues	\$ <u>78,435</u>
Change in net assets	\$ 24,406
Net assets beginning of year	<u>14,866</u>
Net assets end of year	<u>\$ 39,272</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICTSTATEMENT OF CASH FLOWS - PROPRIETARY FUNDYEAR ENDED JUNE 30, 2011

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 115,737
Cash paid to employees for services	(66,712)
Cash paid to suppliers for goods or services	<u>(89,688)</u>
Net cash used by operating activities	<u>\$ (40,663)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 1,741
Federal grants received	<u>65,715</u>
Net cash provided by non-capital financing activities	<u>\$ 67,456</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 500</u>
Net cash provided by investing activities:	<u>\$ 500</u>
Net change in cash and cash equivalents	\$ 27,293
Cash and cash equivalents beginning of year	<u>10,990</u>
Cash and cash equivalents end of year	<u><u>\$ 38,283</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (54,029)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	10,479
Depreciation	619
Decrease in accounts receivable	122
Decrease in inventories	2,000
Increase in deferred revenues	<u>146</u>
Net cash used by operating activities	<u><u>\$ (40,663)</u></u>

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

During the year ended June 30, 2011, the District received \$10,479 of federal commodities.

See notes to financial statements.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011

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

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

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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 and other capital assets.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

The District reports the following major proprietary fund:

The District's proprietary fund consists of the School Nutrition Fund. The School Nutrition Fund is used to account for the food service 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.

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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

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

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 financial statements:

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, 2011

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

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 and intangibles, 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, 2011

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

Capital assets are depreciated/amortized 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
Intangibles	5-10 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 consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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, fund balances are classified as follows:

Nonspendable - Amounts not in spendable form or amounts that are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

Unassigned - All amounts not included in other spendable classifications.

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, 2011, expenditures in the other expenditures functional area exceeded the amounts budgeted.

NOTE 2 - CASH AND POOLED INVESTMENTS:

The District's deposits in banks at June 30, 2011 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, 2011, the District had cash and investments as follows:

Cash	\$ 1,036,268
Certificates of Deposit	<u>200,000</u>
	<u>\$ 1,236,268</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, 2011

NOTE 3 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	-	<u>216,520</u>	-	<u>216,520</u>
Total capital assets not being depreciated/amortized	<u>\$ 50,000</u>	<u>\$ 216,520</u>	<u>\$ -</u>	<u>\$ 266,520</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	\$ 4,911,003	\$ 74,514	\$ -	\$ 4,985,517
Vehicles	594,521	58,869	-	653,390
Machinery and equipment	746,243	26,102	6,466	765,879
Intangibles	<u>21,086</u>	<u>3,197</u>	<u>495</u>	<u>23,788</u>
Total capital assets being depreciated/amortized	<u>\$ 6,272,853</u>	<u>\$ 162,682</u>	<u>\$ 6,961</u>	<u>\$ 6,428,574</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	\$ 1,110,462	\$ 136,804	\$ -	\$ 1,247,266
Vehicles	406,329	39,692	-	446,021
Machinery and equipment	516,092	48,401	6,466	558,027
Intangibles	<u>19,106</u>	<u>1,191</u>	<u>495</u>	<u>19,802</u>
Total accumulated depreciation/amortization	<u>\$ 2,051,989</u>	<u>\$ 226,088</u>	<u>\$ 6,961</u>	<u>\$ 2,271,116</u>
Total capital assets being depreciated/amortized, net	<u>\$ 4,220,864</u>	<u>\$ (63,406)</u>	<u>\$ -</u>	<u>\$ 4,157,458</u>
Total governmental activities capital assets, net	<u>\$ 4,270,864</u>	<u>\$ 153,114</u>	<u>\$ -</u>	<u>\$ 4,423,978</u>
Business type activities:				
Furniture and equipment	\$ 25,391	\$ -	\$ -	\$ 25,391
Less accumulated depreciation	<u>22,663</u>	<u>619</u>	<u>-</u>	<u>23,282</u>
Total business type activities capital assets, net	<u>\$ 2,728</u>	<u>\$ (619)</u>	<u>\$ -</u>	<u>\$ 2,109</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 3 - CAPITAL ASSETS (CONTINUED):

Depreciation/amortization expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 98,846
Special	26,300
Other	17,409

Support services:

Student	4,399
Instructional staff	2,535
Administration	23,766
Operation and maintenance of plant	13,141
Transportation	<u>39,692</u>

Total depreciation/amortization expense - governmental activities \$ 226,088

Business type activities:

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

Changes in long-term liabilities for the year ended June 30, 2011 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	\$ 710,000	\$ -	\$ 230,000	\$ 480,000	\$ 235,000
Revenue bonds	705,000	-	130,000	575,000	135,000
Early retirement	159,211	63,799	42,200	180,810	62,483
Net OPEB liability	<u>26,000</u>	<u>25,200</u>	<u>-</u>	<u>51,200</u>	<u>-</u>
Total	<u>\$ 1,600,211</u>	<u>\$ 88,999</u>	<u>\$ 402,200</u>	<u>\$ 1,287,010</u>	<u>\$ 432,483</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, 2011

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED):

At June 30, 2011, the District had obligations to six participants with a total liability of \$180,810 extending through the year ending June 30, 2018. Early retirement benefits paid during the year ended June 30, 2011 totaled \$42,200. 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, 2011 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>
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>\$ 480,000</u>	<u>\$ 23,327</u>	<u>\$ 503,327</u>

Details of the District's June 30, 2011 revenue bonds are as follows:

<u>June 30,</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 575,000</u>	<u>\$ 47,023</u>	<u>\$ 622,023</u>

The District has pledged future statewide sales, services and use 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 statewide sales, services and use 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 59 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$622,023. For the current year, principal and interest paid on the bonds totaled \$155,227 and total statewide sales, services and use tax revenues were \$261,947.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED):

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account (capital project fund account).
- b) 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, 2011.

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 4.50 percent of their annual covered salary and the District is required to contribute 6.95 percent of annual covered payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$180,901, \$168,005 and \$149,086, respectively, equal to the required contributions for each year.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description - The District operates a single-employer benefit plan which provides medical and prescription drug benefits. There are 48 active and 2 retired members in the plan. Retired participants must be age 55 or older.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount implicitly contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 46,000
Interest on net OPEB obligation	1,200
Adjustments to annual required contribution	<u>(1,000)</u>
Annual OPEB cost	\$ 46,200
Employer contributions made	<u>(21,000)</u>
Increase in net OPEB obligation	\$ 25,200
Net OPEB obligation beginning of year	<u>26,000</u>
Net OPEB obligation end of year	<u><u>\$ 51,200</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the implicit contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District had an implicit contribution of \$21,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contribution</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 46,000	43.48%	\$ 26,000
June 30, 2011	\$ 46,200	45.45%	\$ 51,200

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation dated for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$294,000, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$294,000.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 11 percent. The ultimate medical trend rate is 5 percent. The medical trend rate is reduced 0.5 percent each year until reaching the 5 percent ultimate trend rate.

Mortality rates are from RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based on historical average retirement age for the covered group. Active plan members were assumed to retire at age 61, or the first subsequent year in which the member would qualify for benefits.

Projected claim costs of the medical plan are \$1,017 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5 percent per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 7 - INTERFUND TRANSFERS:

During the year ended June 30, 2011, \$252,715 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, 2011, \$155,228 was transferred from the Statewide Sales Services and Use Tax Fund to the Debt Service Fund in order to provide for principal and interest payments on the District's long-term debt.

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 \$190,139 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 10 - CONSTRUCTION COMMITMENT:

As of June 30, 2011, the District has entered into a contract totaling \$1,991,930 for the construction of a new multi-purpose room addition. As of June 30, 2011, costs of \$73,240 had been incurred, but unpaid, against the contract. The contract will be paid as work progresses.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 11 - ACCOUNTING CHANGE/RESTATEMENT:

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 170,953	\$ 36,682
Changes in fund type classification per implementation of GASB Statement No. 54	<u>36,682</u>	<u>(36,682)</u>
Balances July 1, 2010, as restated	<u>\$ 207,635</u>	<u>\$ -</u>

NOTE 12 - SUBSEQUENT EVENT:

Subsequent to June 30, 2011, the District authorized, approved and issued \$3,135,000 School Infrastructure Sales, Services and Use Tax Revenue Bonds. The bonds are to provide for the refunding of the District's existing revenue bonds and to fund the construction of a multi-purpose room addition.

**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 FUND

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>	Total <u>Actual</u>
Revenues:			
Local sources	\$ 2,821,547	\$ 115,969	\$ 2,937,516
State sources	1,688,870	1,741	1,690,611
Federal sources	<u>211,899</u>	<u>76,194</u>	<u>288,093</u>
Total revenues	<u>\$ 4,722,316</u>	<u>\$ 193,904</u>	<u>\$ 4,916,220</u>
Expenditures/Expenses:			
Instruction	\$ 3,012,562	\$ -	\$ 3,012,562
Support services	1,216,113	-	1,216,113
Non-instructional programs	-	169,498	169,498
Other expenditures	<u>915,098</u>	<u>-</u>	<u>915,098</u>
Total expenditures/expenses	<u>\$ 5,143,773</u>	<u>\$ 169,498</u>	<u>\$ 5,313,271</u>
(Deficiencies) excess of revenue (under) over expenditures	\$ (421,457)	\$ 24,406	\$ (397,051)
Balances beginning of year	<u>1,071,996</u>	<u>14,866</u>	<u>1,086,862</u>
Balances end of year	<u>\$ 650,539</u>	<u>\$ 39,272</u>	<u>\$ 689,811</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
<u>Original</u>	<u>Final</u>	
\$ 2,889,397	\$ 2,889,397	\$ 48,119
1,870,717	1,870,717	(180,106)
<u>326,000</u>	<u>326,000</u>	<u>(37,907)</u>
<u>\$ 5,086,114</u>	<u>\$ 5,086,114</u>	<u>\$ (169,894)</u>
\$ 3,083,000	\$ 3,083,000	\$ 70,438
1,412,600	1,412,600	196,487
177,200	177,200	7,702
<u>630,597</u>	<u>630,597</u>	<u>(284,501)</u>
<u>\$ 5,303,397</u>	<u>\$ 5,303,397</u>	<u>\$ (9,874)</u>
<u>\$ (217,283)</u>	<u>\$ (217,283)</u>	<u>\$ (179,768)</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2011

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, 2011, expenditures in the other expenditures functional area exceeded the amounts budgeted.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year Ended</u> <u>June 30,</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>
2010	July 1, 2009	\$ -	\$ 294,000	\$ 294,000	0.0%
2011	July 1, 2010	\$ -	\$ 294,000	\$ 294,000	0.0%

See Note 6 in the accompanying Notes to Financial Statements for the plan descriptions, funding policy, annual OPEB cost, net OPEB obligations, funded status and funding progress.

## **OTHER SUPPLEMENTARY INFORMATION**

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

ASSETS

	<u>Special Revenue</u>			
	<u>Management</u>	<u>Student</u>	<u>Debt</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Service</u>	<u>Total</u>
Cash and pooled investments	\$ 34,306	\$ 81,021	\$ -	\$ 115,327
Receivables:				
Property tax:				
Current year	1,038	-	-	1,038
Succeeding year	<u>130,000</u>	<u>-</u>	<u>-</u>	<u>130,000</u>
Total assets	<u>\$ 165,344</u>	<u>\$ 81,021</u>	<u>\$ -</u>	<u>\$ 246,365</u>

LIABILITIES AND FUND EQUITY

Liabilities:				
Deferred revenue:				
Succeeding year property tax	<u>\$ 130,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,000</u>
Total liabilities	<u>\$ 130,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,000</u>
Fund balances:				
Restricted for:				
Management levy purposes	\$ 35,344	\$ -	\$ -	\$ 35,344
Student activities	<u>-</u>	<u>81,021</u>	<u>-</u>	<u>81,021</u>
	<u>\$ 35,344</u>	<u>\$ 81,021</u>	<u>\$ -</u>	<u>\$ 116,365</u>
Total liabilities and fund equity	<u>\$ 165,344</u>	<u>\$ 81,021</u>	<u>\$ -</u>	<u>\$ 246,365</u>

REMSSEN-UNION COMMUNITY SCHOOL DISTRICTCOMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES INFUND BALANCES - NONMAJOR GOVERNMENTAL FUNDSYEAR ENDED JUNE 30, 2011

	<u>Special Revenue</u>			<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>	
Revenues:				
Local sources:				
Local tax	\$ 110,139	\$ -	\$ -	\$ 110,139
Other	-	122,639	-	122,639
Total revenues	<u>\$ 110,139</u>	<u>\$ 122,639</u>	<u>\$ -</u>	<u>\$ 232,778</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 45,658	\$ -	\$ -	\$ 45,658
Special instruction	205	-	-	205
Other instruction	459	115,708	-	116,167
	<u>\$ 46,322</u>	<u>\$ 115,708</u>	<u>\$ -</u>	<u>\$ 162,030</u>
Support services:				
Student services	\$ 255	\$ -	\$ -	\$ 255
Administration services	6,404	-	-	6,404
Operation and maintenance of plant services	38,403	-	-	38,403
Transportation services	12,726	-	-	12,726
	<u>\$ 57,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,788</u>
Other expenditures:				
Long-term debt:				
Principal	\$ -	\$ -	\$ 360,000	\$ 360,000
Interest	-	-	47,943	47,943
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 407,943</u>	<u>\$ 407,943</u>
Total expenditures	<u>\$ 104,110</u>	<u>\$ 115,708</u>	<u>\$ 407,943</u>	<u>\$ 627,761</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 6,029</u>	<u>\$ 6,931</u>	<u>\$ (407,943)</u>	<u>\$ (394,983)</u>
Other financing sources:				
Transfers in	\$ -	\$ -	\$ 407,943	\$ 407,943
Net change in fund balances	\$ 6,029	\$ 6,931	\$ -	\$ 12,960
Fund balances beginning of year	29,315	74,090	-	103,405
Fund balances end of year	<u>\$ 35,344</u>	<u>\$ 81,021</u>	<u>\$ -</u>	<u>\$ 116,365</u>

See accompanying independent auditor's report.

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REMSEN-UNION COMMUNITY SCHOOL DISTRICTCOMBINING BALANCE SHEET - CAPITAL PROJECT ACCOUNTSJUNE 30, 2011ASSETS

	<u>Capital Projects</u>		<u>Total</u>
	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	
Cash and pooled investments	\$ 147,660	\$ 18,027	\$ 165,687
Receivables:			
Property tax:			
Current year	-	2,977	2,977
Succeeding year	-	330,756	330,756
Accounts	<u>21,049</u>	<u>-</u>	<u>21,049</u>
Total assets	<u>\$ 168,709</u>	<u>\$ 351,760</u>	<u>\$ 520,469</u>

LIABILITIES AND FUND EQUITY

Liabilities:			
Accounts payable	\$ 116,653	\$ -	\$ 116,653
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>330,756</u>	<u>330,756</u>
Total liabilities	<u>\$ 116,653</u>	<u>\$ 330,756</u>	<u>\$ 447,409</u>
Fund balances:			
Restricted for:			
School infrastructure	\$ 52,056	\$ -	\$ 52,056
Physical plant and equipment	<u>-</u>	<u>21,004</u>	<u>21,004</u>
	<u>\$ 52,056</u>	<u>\$ 21,004</u>	<u>\$ 73,060</u>
Total liabilities and fund equity	<u>\$ 168,709</u>	<u>\$ 351,760</u>	<u>\$ 520,469</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - CAPITAL PROJECT ACCOUNTS

YEAR ENDED JUNE 30, 2011

	<u>Capital Projects</u>		
	<u>Statewide</u>	<u>Physical</u>	
	<u>Sales, Services</u>	<u>Plant and</u>	
	<u>and Use Tax</u>	<u>Equipment</u>	
		<u>Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 261,947	\$ 314,930	\$ 576,877
Other	<u>1,241</u>	<u>12,266</u>	<u>13,507</u>
Total revenues	<u>\$ 263,188</u>	<u>\$ 327,196</u>	<u>\$ 590,384</u>
Expenditures:			
Other expenditures:			
Facilities acquisition	\$ 226,857	\$ 90,159	\$ 317,016
Total expenditures	<u>\$ 226,857</u>	<u>\$ 90,159</u>	<u>\$ 317,016</u>
Excess of revenues over expenditures	<u>\$ 36,331</u>	<u>\$ 237,037</u>	<u>\$ 273,368</u>
Other financing uses:			
Transfers out	<u>\$ (155,228)</u>	<u>\$ (252,715)</u>	<u>\$ (407,943)</u>
Net change in fund balances	\$ (118,897)	\$ (15,678)	\$ (134,575)
Fund balances beginning of year	<u>170,953</u>	<u>36,682</u>	<u>207,635</u>
Fund balances end of year	<u>\$ 52,056</u>	<u>\$ 21,004</u>	<u>\$ 73,060</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICTSCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTSYEAR ENDED JUNE 30, 2011

ACCOUNT:	Balance Beginning <u>of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance End <u>of Year</u>
Athletics	\$ 9,339	\$ 41,415	\$ 41,558	\$ 9,196
Class of 2009	73	-	-	73
Class of 2010	1,172	-	92	1,080
Class of 2011	1,272	3,065	4,294	43
Class of 2012	2,757	4,040	3,470	3,327
Class of 2013	3,900	498	-	4,398
Class of 2014	4,251	-	-	4,251
Class of 2015	2,091	763	513	2,341
Class of 2016	911	1,936	1,193	1,654
Class of 2017	-	3,500	2,123	1,377
Have Club	14,504	11,842	13,436	12,910
Annual	7,742	6,742	7,121	7,363
Student council	467	3,969	3,927	509
Middle school student council	257	-	-	257
Cheerleaders	891	808	463	1,236
Drill team	3,922	2,117	3,130	2,909
National Honor Society	4,011	1,712	1,916	3,807
Deca	44	28,611	28,293	362
Europe trip	-	9,642	2,104	7,538
Pep Club	50	-	-	50
Interest	1,776	593	-	2,369
Renaissance	<u>14,660</u>	<u>1,386</u>	<u>2,075</u>	<u>13,971</u>
Total	<u>\$ 74,090</u>	<u>\$ 122,639</u>	<u>\$ 115,708</u>	<u>\$ 81,021</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS

FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>								
Local sources:								
Local tax	\$ 2,419,368	\$ 2,243,001	\$ 2,153,482	\$ 2,132,560	\$ 2,103,137	\$ 2,142,768	\$ 2,092,341	\$ 2,008,984
Tuition	141,210	99,828	101,327	102,560	79,246	76,666	81,513	85,364
Other	260,969	210,830	256,126	301,398	255,104	242,311	220,991	244,467
State sources	1,688,870	1,415,202	1,854,733	1,673,772	1,623,109	1,502,553	1,431,003	1,203,310
Federal sources	211,899	509,684	262,194	138,445	177,809	145,989	163,385	170,359
Other financing sources	-	1,915	10,872	957,578	11,660	1,046	1,030	9,937
<b>Total</b>	<b>\$ 4,722,316</b>	<b>\$ 4,480,460</b>	<b>\$ 4,638,734</b>	<b>\$ 5,306,313</b>	<b>\$ 4,250,065</b>	<b>\$ 4,111,333</b>	<b>\$ 3,990,263</b>	<b>\$ 3,722,421</b>
<b>Expenditures:</b>								
Instruction:								
Regular instruction	\$ 2,089,275	\$ 1,978,994	\$ 1,959,699	\$ 1,773,846	\$ 1,644,718	\$ 1,654,632	\$ 1,553,061	\$ 1,539,849
Special instruction	555,594	604,583	523,834	523,586	447,486	398,928	463,054	418,707
Other instruction	367,693	368,797	395,661	361,313	346,313	301,809	386,410	377,883
Support services:								
Student services	92,765	89,014	89,179	84,791	79,926	74,742	29,485	13,251
Instructional staff services	53,464	50,759	44,712	45,071	39,990	48,100	45,211	40,812
Administration services	502,239	497,355	495,238	443,298	432,795	423,139	330,116	253,594
Operation and maintenance								
of plant services	277,744	288,131	303,642	344,925	313,759	287,532	272,427	296,998
Transportation services	289,901	214,481	229,649	206,111	182,487	185,669	165,703	168,367
Other expenditures:								
Facilities acquisition	317,016	246,949	548,624	1,073,546	254,908	233,337	488,221	1,731,306
Long-term debt:								
Principal	360,000	345,000	340,000	210,000	205,000	205,000	200,000	200,000
Interest and other charges	47,943	59,008	78,263	39,290	43,288	46,773	49,572	47,733
AEA flow through	190,139	188,929	170,950	160,100	156,200	148,366	146,568	147,379
<b>Total</b>	<b>\$ 5,143,773</b>	<b>\$ 4,932,000</b>	<b>\$ 5,179,451</b>	<b>\$ 5,265,877</b>	<b>\$ 4,146,870</b>	<b>\$ 4,008,027</b>	<b>\$ 4,129,828</b>	<b>\$ 5,235,879</b>



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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 12, 2012. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a significant deficiency, or combination of significant deficiencies that results in a reasonable possibility a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.



To the Board of Education  
Remsen-Union Community School District

### COMPLIANCE AND OTHER MATTERS

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 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, and 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 12, 2012  
Sioux City, Iowa

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

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES:

I-A-11 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 and is currently working towards increasing their knowledge of the District's GAAP financial reporting process.

Recommendation - We recommend management continue to review and learn about the District's GAAP financial reporting process and seek the necessary guidance/training so as to more fully understand the process.

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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2011

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting:

II-A-11 Certified Budget - Expenditures for the year ended June 30, 2011 exceeded the certified budget amounts in the other expenditure program function.

Recommendations - The 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-11 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-11 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-11 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-11 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-11 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

We noted one instance of minutes not published as required by Chapter 279.35 of the Code of Iowa.

Recommendation - The District's board secretary should furnish a copy of the board proceedings to be published within two weeks of each meeting.

Response - Procedures are in place to ensure the minutes are published as required.

Conclusion - Response accepted.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2011

(CONTINUED)

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

II-G-11 Certified Enrollment - We noted one variance in the basic enrollment data certified to the Iowa Department of Education.

Recommendation - The District should contact the Iowa Department of Education regarding corrective action required.

Response - As recommended, we will contact the Iowa Department of Education regarding corrective action required.

Conclusion - Response accepted.

II-H-11 Supplementary Weighting - We noted no variances the supplementary weighting certified to the Iowa Department of Education.

II-I-11 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-J-11 Certified Annual Report - The Certified Annual Report (CAR) was certified to the Department of Education timely.

II-K-11 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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2011

(CONTINUED)

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

II-L-11    Statewide Sales, Services and Use Tax - We noted no instances of non-compliance with the use of statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa.

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, services and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	-
Revenues/transfers in:			
Sales tax revenues	\$ 261,947		
Other local revenues	<u>1,241</u>		
			<u>263,188</u>
		\$	263,188
Expenditures/transfers out:			
Transfers to other funds:			
Debt service fund	\$ 36,331		
Buildings and improvements	<u>226,857</u>		
			<u>263,188</u>
Ending balance		<u>\$</u>	<u>-</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.