

REMSEN-UNION
COMMUNITY SCHOOL DISTRICT

Remsen, Iowa

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

June 30, 2014

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling



such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2015, on our consideration of the District's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

March 3, 2015
Sioux City, Iowa

King Reinisch Prosser & Co. LLP

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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 Financial Highlights

- General Fund revenues increased from \$4,318,724 in fiscal year 2013 to \$4,744,893 in fiscal year 2014, and General Fund expenditures increased from \$4,415,290 in fiscal year 2013 to \$4,613,965 in fiscal year 2014. The District's General Fund balance increased from \$263,764 in fiscal year 2013 to \$394,692 at the end of fiscal year 2014, a 49.6 percent increase.
- The increase in General Fund revenues was primarily attributable to increases in property valuations and levy rates along with the State's allowable growth. The increase in General Fund expenditures was primarily due to expected inflationary increases in all costs including salaries and benefits.

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 Position 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 financial 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.

Supplementary Information provides detailed information about the nonmajor governmental funds and Capital Projects Funds.

Reporting the District's Financial Activities

Government-Wide Financial Statements - The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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 position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

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

Government-Wide Financial Analysis

Figure A-1 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

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

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Total</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>Percentage</u>
							<u>Change</u>
Current and other assets	\$ 4,832	\$ 4,298	\$ 66	\$ 50	\$ 4,898	\$ 4,348	12.7%
Capital assets, net	<u>6,146</u>	<u>6,342</u>	<u>14</u>	<u>16</u>	<u>6,160</u>	<u>6,358</u>	<u>(3.1%)</u>
Total assets	<u>\$ 10,978</u>	<u>\$ 10,640</u>	<u>\$ 80</u>	<u>\$ 66</u>	<u>\$ 11,058</u>	<u>\$ 10,706</u>	<u>3.3%</u>
Long-term liabilities	\$ 3,066	\$ 3,196	\$ -	\$ -	\$ 3,066	\$ 3,196	(4.1%)
Other liabilities	<u>579</u>	<u>545</u>	<u>9</u>	<u>8</u>	<u>588</u>	<u>553</u>	<u>6.3%</u>
Total liabilities	<u>\$ 3,645</u>	<u>\$ 3,741</u>	<u>\$ 9</u>	<u>\$ 8</u>	<u>\$ 3,654</u>	<u>\$ 3,749</u>	<u>(2.5%)</u>
Deferred inflows of resources	<u>\$ 2,551</u>	<u>\$ 2,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,551</u>	<u>\$ 2,394</u>	<u>6.6%</u>
Net position:							
Net investment in							
capital assets	\$ 3,216	\$ 3,317	\$ 14	\$ 16	\$ 3,230	\$ 3,333	(3.1%)
Restricted	1,074	829	-	-	1,074	829	29.6%
Unrestricted	<u>492</u>	<u>359</u>	<u>57</u>	<u>42</u>	<u>549</u>	<u>401</u>	<u>36.9%</u>
Total net position	<u>\$ 4,782</u>	<u>\$ 4,505</u>	<u>\$ 71</u>	<u>\$ 58</u>	<u>\$ 4,853</u>	<u>\$ 4,563</u>	<u>6.4%</u>

The District's total net position increased 6.4 percent or approximately \$290,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g. land, infrastructure, intangibles, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$245,000, or 29.6 percent over the prior year primarily due to reducing the spending of sales tax revenues.

Unrestricted net position is the part of net position that 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 position increased approximately \$148,000, or 36.9 percent due to efforts by the District to control spending in an effort to report a better net position.

Figure A-2 shows the changes in net position for the years ended June 30, 2014 compared to the year ended June 30, 2013.

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

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Total</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>Percentage</u> <u>Change</u> <u>2013-2014</u>
Revenues:							
Program revenues:							
Charges for services	\$ 420	\$ 376	\$ 129	\$ 117	\$ 549	\$ 493	11.4%
Operating grants, contributions and restricted interest	782	740	77	76	859	816	5.3%
General revenues:							
Property tax	2,360	2,416	-	-	2,360	2,416	(2.3%)
Local surtax	221	213	-	-	221	213	3.8%
Statewide sales, services and use tax	391	303	-	-	391	303	29.0%
Unrestricted state grants	1,276	1,173	-	-	1,276	1,173	8.8%
Unrestricted investment earnings	5	5	-	-	5	5	0.0%
Other	8	-	-	-	8	-	100.0%
Total revenues	<u>\$ 5,463</u>	<u>\$ 5,226</u>	<u>\$ 206</u>	<u>\$ 193</u>	<u>\$ 5,669</u>	<u>\$ 5,419</u>	<u>4.6%</u>
Program expenses:							
Instruction	\$ 3,472	\$ 3,375	\$ -	\$ -	\$ 3,472	\$ 3,375	2.9%
Support services	1,383	1,271	-	-	1,383	1,271	8.8%
Non-instructional programs	-	-	193	181	193	181	6.6%
Other expenses	331	323	-	-	331	323	2.5%
Total expenses	<u>\$ 5,186</u>	<u>\$ 4,969</u>	<u>\$ 193</u>	<u>\$ 181</u>	<u>\$ 5,379</u>	<u>\$ 5,150</u>	<u>4.5%</u>
Change in net position	\$ 277	\$ 257	\$ 13	\$ 12	\$ 290	\$ 269	7.8%
Net position beginning of year	<u>4,505</u>	<u>4,248</u>	<u>58</u>	<u>46</u>	<u>4,563</u>	<u>4,294</u>	<u>6.3%</u>
Net position end of year	<u>\$ 4,782</u>	<u>\$ 4,505</u>	<u>\$ 71</u>	<u>\$ 58</u>	<u>\$ 4,853</u>	<u>\$ 4,563</u>	<u>6.4%</u>

In fiscal year 2014, property tax and unrestricted state grants accounted for 66.6 percent of the total governmental activities revenue (68.7 percent in 2013) while charges for service and operating grants, contributions and restricted interest accounted for 99.9 percent of business type activities revenue (99.9 percent in 2013). The District's total revenues were approximately \$5.7 million; of which approximately \$5.5 million were for governmental activities and less than \$1.0 million was for business type activities.

As shown in figure A-2, the District as a whole experienced a 4.6 percent increase in revenues and a 4.5 percent increase in expenses. Statewide sales, services and use tax and unrestricted state grants increased approximately \$191,000 to help fund the increase in expenses. The increase in expenses is primarily due to expected inflationary increases in all costs including salaries and benefits.

Governmental Activities - Revenues for governmental activities were \$5,462,708 and expenses were \$5,185,855. The District was able to keep expenses at a level less than revenues as planned.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, and other expenses, for the years ended June 30, 2014 compared to the year ended June 30, 2013.

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

	<u>Total Cost of Services</u>		<u>Percent</u>	<u>Net Cost of Services</u>		<u>Percent</u>
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>
Instruction	\$ 3,472	\$ 3,375	2.9%	\$ 2,524	\$ 2,494	1.2%
Support services	1,383	1,271	8.8%	1,314	1,209	8.7%
Other expenses	331	323	2.5%	146	150	(2.7%)
Totals	\$ 5,186	\$ 4,969	4.4%	\$ 3,984	\$ 3,853	3.4%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$419,542 (\$376,276 in 2013).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$782,247 (\$740,183 in 2013).
- The net cost of governmental activities was financed with \$2,971,526 in property and other taxes (\$2,931,850 in 2013) and \$1,275,567 in unrestricted state grants (\$1,172,554 in 2013).

Business Type Activities - Revenues for business type activities were \$206,199, representing a 6.8 percent increase over the prior year, while expenses totaled \$192,537, a 6.0 percent increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2014, the District increased amounts charged for meals to fund the anticipated increase in expenses.

Individual 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 combined fund balances of \$1,527,734, above last year's ending fund balances of \$1,152,939. The primary reason for the increase is due to efforts taken by the District to control costs.

Governmental Fund Highlights

The District's General Fund financial position increase is the result of the District's intent to control their costs to build a larger fund balance.

The General Fund balance increased from \$263,764 to \$394,692 due, in part, to the increases in revenues along with a successful push to control spending.

The Capital Projects Fund balance increased from \$743,709 to \$890,258 due to future plans requiring the use of unspent current sales tax revenues.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$57,384 at June 30, 2013 to \$71,046 at June 30, 2014, representing an increase of approximately 24 percent. For fiscal year 2014, the District was able to maintain costs and increase meal prices in an effort to build up reserves to replace equipment in the future.

Budgetary Highlights

The District's total revenues were \$97,083 more than total budgeted revenues, a variance of 1.7 percent. The largest difference was in state sources being more than anticipated due to higher than expected sales tax revenues.

Total expenditures were less than budgeted, primarily due to efforts to control all costs to build up a healthier fund balance in the governmental funds. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgeting practice, the certified budget was exceeded in the support services function due to higher than anticipated costs for technology supplies.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2014, the District had invested approximately \$6.2 million, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangibles. (See Figure A-4). This represents a net decrease of 3.1 percent from last year. 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 \$283,353.

The original cost of the District's capital assets was approximately \$9.1 million. Governmental funds account for approximately \$9.05 million, with the remainder of less than \$50,000 accounted for in the proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year was in buildings and improvements due to depreciation expense exceeding current year additions.

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

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Percent</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>
Land	\$ 50	\$ 50	\$ -	\$ -	\$ 50	\$ 50	0.0%
Buildings and improvements	5,687	5,873	-	-	5,687	5,873	(3.2%)
Vehicles	117	149	-	-	117	149	(21.5%)
Furniture and equipment	292	269	14	16	306	285	7.4%
Intangibles	-	1	-	-	-	1	(100.0%)
Totals	<u>\$ 6,146</u>	<u>\$ 6,342</u>	<u>\$ 14</u>	<u>\$ 16</u>	<u>\$ 6,160</u>	<u>\$ 6,358</u>	<u>(3.1%)</u>

Long-Term Debt - At June 30, 2014, the District had \$3.1 million of total long-term debt outstanding. This represents a decrease of approximately 4.1 percent. Additional information about the District's long-term liabilities is presented in Note 4 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue up to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit.

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

	<u>June 30,</u>		<u>Percent Change</u>
	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Revenue bonds	\$ 2,930	\$ 3,025	(3.1%)
Early retirement	65	98	(33.7%)
Net OPEB liability	71	73	(2.7%)
	<u>\$ 3,066</u>	<u>\$ 3,196</u>	<u>(4.1%)</u>

Economic Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances which could significantly affect its financial health in the future:

- Changes in student enrollment.
- Continued increases in staffing costs compared to new funding sources.
- Decreases in state aid and spending authority.

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 and Business Manager, Remsen-Union Community School District, 511 Roosevelt Street, Remsen, Iowa 51050.

BASIC FINANCIAL STATEMENTS

REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 1,741,393	\$ 59,445	\$ 1,800,838
Receivables:			
Property tax:			
Delinquent	22,066	-	22,066
Succeeding year	2,551,176	-	2,551,176
Accounts	-	3,057	3,057
Due from other governments	431,189	-	431,189
Prepaid expenses	29,057	-	29,057
Inventories	-	3,184	3,184
Other assets	56,527	-	56,527
Capital assets, net of accumulated depreciation/amortization	<u>6,146,398</u>	<u>13,869</u>	<u>6,160,267</u>
Total assets	<u>\$ 10,977,806</u>	<u>\$ 79,555</u>	<u>\$ 11,057,361</u>
LIABILITIES:			
Accounts payable	\$ 81,427	\$ -	\$ 81,427
Salaries and benefits payable	444,901	-	444,901
Accrued interest payable	52,516	-	52,516
Unearned revenue	-	8,509	8,509
Long-term liabilities:			
Portion due within one year:			
Early retirement	26,677	-	26,677
Revenue bonds	125,000	-	125,000
Portion due after one year:			
Early retirement	38,375	-	38,375
Revenue bonds	2,805,000	-	2,805,000
Net OPEB liability	<u>70,888</u>	<u>-</u>	<u>70,888</u>
Total liabilities	<u>\$ 3,644,784</u>	<u>\$ 8,509</u>	<u>\$ 3,653,293</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable property tax revenue	<u>\$ 2,551,176</u>	<u>\$ -</u>	<u>\$ 2,551,176</u>
NET POSITION:			
Net investment in capital assets	\$ 3,216,398	\$ 13,869	\$ 3,230,267
Restricted for:			
Categorical funding	4,985	-	4,985
Management levy purposes	87,045	-	87,045
Student activities	87,687	-	87,687
Debt service	427,557	-	427,557
School infrastructure	337,188	-	337,188
Physical plant and equipment	129,524	-	129,524
Unrestricted	<u>491,462</u>	<u>57,177</u>	<u>548,639</u>
Total net position	<u>\$ 4,781,846</u>	<u>\$ 71,046</u>	<u>\$ 4,852,892</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Instruction:				
Regular	\$ 2,278,864	\$ 236,949	\$ 502,178	\$ -
Special	796,456	82,303	26,092	-
Other	396,538	100,290	-	-
	<u>\$ 3,471,858</u>	<u>\$ 419,542</u>	<u>\$ 528,270</u>	<u>\$ -</u>
Support services:				
Student	\$ 117,534	\$ -	\$ -	\$ -
Instructional staff	182,461	-	-	-
Administration	505,287	-	-	-
Operation and maintenance of plant	312,302	-	-	-
Transportation	265,085	-	68,554	-
	<u>\$ 1,382,669</u>	<u>\$ -</u>	<u>\$ 68,554</u>	<u>\$ -</u>
Other expenditures:				
Facilities acquisition	\$ 34,727	\$ -	\$ -	\$ -
Long-term debt interest	111,178	-	-	-
AEA flow through	185,423	-	185,423	-
	<u>\$ 331,328</u>	<u>\$ -</u>	<u>\$ 185,423</u>	<u>\$ -</u>
Total governmental activities	<u>\$ 5,185,855</u>	<u>\$ 419,542</u>	<u>\$ 782,247</u>	<u>\$ -</u>
Business type activities:				
Non-instructional programs:				
Food service operations	\$ 192,537	\$ 129,431	\$ 76,648	\$ -
Total business type activities	<u>\$ 192,537</u>	<u>\$ 129,431</u>	<u>\$ 76,648</u>	<u>\$ -</u>
Total	<u>\$ 5,378,392</u>	<u>\$ 548,973</u>	<u>\$ 858,895</u>	<u>\$ -</u>
GENERAL REVENUES:				
Property tax levied for:				
General purposes				
Management levy				
Physical plant and equipment levy				
Local surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
\$ (1,539,737)	\$ -	\$ (1,539,737)
(688,061)	-	(688,061)
<u>(296,248)</u>	<u>-</u>	<u>(296,248)</u>
<u>\$ (2,524,046)</u>	<u>\$ -</u>	<u>\$ (2,524,046)</u>
\$ (117,534)	\$ -	\$ (117,534)
(182,461)	-	(182,461)
(505,287)	-	(505,287)
(312,302)	-	(312,302)
<u>(196,531)</u>	<u>-</u>	<u>(196,531)</u>
<u>\$ (1,314,115)</u>	<u>\$ -</u>	<u>\$ (1,314,115)</u>
\$ (34,727)	\$ -	\$ (34,727)
(111,178)	-	(111,178)
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (145,905)</u>	<u>\$ -</u>	<u>\$ (145,905)</u>
<u>\$ (3,984,066)</u>	<u>\$ -</u>	<u>\$ (3,984,066)</u>
\$ -	\$ 13,542	\$ 13,542
\$ -	\$ 13,542	\$ 13,542
<u>\$ (3,984,066)</u>	<u>\$ 13,542</u>	<u>\$ (3,970,524)</u>
\$ 2,116,649	\$ -	\$ 2,116,649
170,145	-	170,145
72,867	-	72,867
220,674	-	220,674
391,191	-	391,191
1,275,567	-	1,275,567
5,202	120	5,322
<u>8,624</u>	<u>-</u>	<u>8,624</u>
<u>\$ 4,260,919</u>	<u>\$ 120</u>	<u>\$ 4,261,039</u>
\$ 276,853	\$ 13,662	\$ 290,515
<u>4,504,993</u>	<u>57,384</u>	<u>4,562,377</u>
<u>\$ 4,781,846</u>	<u>\$ 71,046</u>	<u>\$ 4,852,892</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
ASSETS:				
Cash, cash equivalents and pooled investments	\$ 711,456	\$ 791,685	\$ 238,252	\$ 1,741,393
Receivables:				
Property tax:				
Delinquent	19,857	677	1,532	22,066
Succeeding year	2,297,381	76,495	177,300	2,551,176
Due from other governments	333,293	97,896	-	431,189
Prepaid expenses	<u>29,057</u>	<u>-</u>	<u>-</u>	<u>29,057</u>
Total assets	<u>\$ 3,391,044</u>	<u>\$ 966,753</u>	<u>\$ 417,084</u>	<u>\$ 4,774,881</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 81,427	\$ -	\$ -	\$ 81,427
Salaries and benefits payable	<u>444,901</u>	<u>-</u>	<u>-</u>	<u>444,901</u>
Total liabilities	<u>\$ 526,328</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 526,328</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	\$ 2,297,381	\$ 76,495	\$ 177,300	\$ 2,551,176
Other	<u>172,643</u>	<u>-</u>	<u>-</u>	<u>172,643</u>
Total deferred inflows of resources	<u>\$ 2,470,024</u>	<u>\$ 76,495</u>	<u>\$ 177,300</u>	<u>\$ 2,723,819</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	\$ 29,057	\$ -	\$ -	\$ 29,057
Restricted for:				
Categorical funding	4,985	-	-	4,985
Management levy purposes	-	-	152,097	152,097
Student activities	-	-	87,687	87,687
Debt service	-	423,546	-	423,546
School infrastructure	-	337,188	-	337,188
Physical plant and equipment	-	129,524	-	129,524
Unassigned	<u>360,650</u>	<u>-</u>	<u>-</u>	<u>360,650</u>
Total fund balances	<u>\$ 394,692</u>	<u>\$ 890,258</u>	<u>\$ 239,784</u>	<u>\$ 1,524,734</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,391,044</u>	<u>\$ 966,753</u>	<u>\$ 417,084</u>	<u>\$ 4,774,881</u>

See notes to financial statements.

REMSEN-UNION COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDSTO THE STATEMENT OF NET POSITIONJUNE 30, 2014

Total fund balances of governmental funds (page 15)	\$ 1,524,734
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,146,398
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	172,643
Discounts on bonds are not financial resources and therefore are not reported as assets in the governmental funds.	56,527
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(52,516)
Long-term liabilities, including bonds, early retirement and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(3,065,940)</u>
Net position of governmental activities (page 13)	<u>\$ 4,781,846</u>

REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 2,363,424	\$ 72,867	\$ 170,145	\$ 2,606,436
Tuition	190,739	-	-	190,739
Other	132,916	677	100,412	234,005
State sources	1,881,782	391,191	-	2,272,973
Federal sources	<u>176,032</u>	<u>-</u>	<u>-</u>	<u>176,032</u>
Total revenues	<u>\$ 4,744,893</u>	<u>\$ 464,735</u>	<u>\$ 270,557</u>	<u>\$ 5,480,185</u>
Expenditures:				
Current:				
Instruction:				
Regular	\$ 2,152,353	\$ -	\$ 24,366	\$ 2,176,719
Special	751,336	-	-	751,336
Other	<u>297,894</u>	<u>-</u>	<u>84,009</u>	<u>381,903</u>
	<u>\$ 3,201,583</u>	<u>\$ -</u>	<u>\$ 108,375</u>	<u>\$ 3,309,958</u>
Support services:				
Student	\$ 110,450	\$ -	\$ 427	\$ 110,877
Instructional staff	140,436	4,863	202	145,501
Administration	496,756	-	14,800	511,556
Operation and maintenance of plant	245,889	51,869	38,199	335,957
Transportation	<u>233,428</u>	<u>26,159</u>	<u>14,236</u>	<u>273,823</u>
	<u>\$ 1,226,959</u>	<u>\$ 82,891</u>	<u>\$ 67,864</u>	<u>\$ 1,377,714</u>
Other expenditures:				
Facilities acquisition	\$ -	\$ 41,559	\$ -	\$ 41,559
Long-term debt:				
Principal	-	-	95,000	95,000
Interest and fiscal charges	-	-	108,481	108,481
AEA flow through	<u>185,423</u>	<u>-</u>	<u>-</u>	<u>185,423</u>
	<u>\$ 185,423</u>	<u>\$ 41,559</u>	<u>\$ 203,481</u>	<u>\$ 430,463</u>
Total expenditures	<u>\$ 4,613,965</u>	<u>\$ 124,450</u>	<u>\$ 379,720</u>	<u>\$ 5,118,135</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ 130,928</u>	<u>\$ 340,285</u>	<u>\$ (109,163)</u>	<u>\$ 362,050</u>
Other financing sources (uses):				
Operating transfers in	\$ -	\$ -	\$ 203,481	\$ 203,481
Operating transfers out	-	(203,481)	-	(203,481)
Sale of capital assets	<u>-</u>	<u>9,745</u>	<u>-</u>	<u>9,745</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (193,736)</u>	<u>\$ 203,481</u>	<u>\$ 9,745</u>
Change in fund balances	\$ 130,928	\$ 146,549	\$ 94,318	\$ 371,795
Fund balances beginning of year	<u>263,764</u>	<u>743,709</u>	<u>145,466</u>	<u>1,152,939</u>
Fund balances end of year	<u>\$ 394,692</u>	<u>\$ 890,258</u>	<u>\$ 239,784</u>	<u>\$ 1,524,734</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, 2014

Net change in fund balances - total governmental funds (page 17) \$ 371,795

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 not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation/amortization expense in the Statement of Activities. Depreciation/amortization expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 86,644	
Depreciation/amortization expense	<u>(281,511)</u>	(194,867)

Cash received on the sale of capital assets is recognized as revenue in the governmental funds. In the Statement of Activities, a gain (loss) on disposal of capital assets is recognized based on the difference between cash received and the net book value of the capital asset disposed. (1,121)

Certain local taxes not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. (26,101)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 95,000

Governmental funds report the effect of discounts when new debt is issued, whereas, these amounts are amortized in the Statement of Activities. (3,647)

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 950

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	\$ 32,389	
Other postemployment benefits	<u>2,455</u>	<u>34,844</u>

Change in net position of governmental activities (page 14) \$ 276,853

See notes to financial statements.

REMSSEN-UNION COMMUNITY SCHOOL DISTRICTSTATEMENT OF NET POSITION - PROPRIETARY FUNDJUNE 30, 2014

	<u>School Nutrition</u>
ASSETS:	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 59,445
Accounts receivable	3,057
Inventories	<u>3,184</u>
Total current assets	<u>\$ 65,686</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>\$ 13,869</u>
Total assets	<u>\$ 79,555</u>
LIABILITIES:	
Current liabilities:	
Unearned revenue	<u>\$ 8,509</u>
Total current liabilities	<u>\$ 8,509</u>
NET POSITION:	
Net investment in capital assets	\$ 13,869
Unrestricted	<u>57,177</u>
Total net position	<u>\$ 71,046</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -PROPRIETARY FUNDYEAR ENDED JUNE 30, 2014

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ <u>129,431</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 70,392
Benefits	11,482
Supplies	108,821
Depreciation	<u>1,842</u>
Total operating expenses	\$ <u>192,537</u>
Operating loss	\$ <u>(63,106)</u>
Non-operating revenues:	
Interest income	\$ 120
State sources	1,660
Federal sources	<u>74,988</u>
Total non-operating revenues	\$ <u>76,768</u>
Increase in net position	\$ 13,662
Net position beginning of year	<u>57,384</u>
Net position end of year	<u>\$ 71,046</u>

REMSSEN-UNION COMMUNITY SCHOOL DISTRICTSTATEMENT OF CASH FLOWS - PROPRIETARY FUNDYEAR ENDED JUNE 30, 2014

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 131,619
Cash paid to employees for services	(81,874)
Cash paid to suppliers for goods or services	(98,541)
Net cash used by operating activities	<u>\$ (48,796)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 1,660
Federal grants received	64,233
Net cash provided by non-capital financing activities	<u>\$ 65,893</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 120</u>
Net increase in cash, cash equivalents and pooled investments	\$ 17,217
Cash, cash equivalents and pooled investments beginning of year	<u>42,228</u>
Cash, cash equivalents and pooled investments end of year	<u><u>\$ 59,445</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (63,106)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	10,280
Depreciation	1,842
(Increase) decrease in accounts receivable	2,150
Increase (decrease) in unearned revenues	<u>38</u>
Net cash used by operating activities	<u><u>\$ (48,796)</u></u>

Supplemental schedule of non-cash items; non-capital financing activities:

During the year ended June 30, 2014, the District received \$10,755 of federal commodities.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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. The geographic area 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 U.S. generally accepted accounting principles 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. 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.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Plymouth County Assessor's Conference Board.

- B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Position 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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position - Results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Net position restricted through enabling legislation as of June 30, 2014 consists of \$87,045 for management levy, \$129,524 for physical plant and equipment levy and \$337,188 for statewide sales tax.

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 Projects Fund accounts.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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 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.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

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

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

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

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, compensated absences 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 position 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.

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.

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, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - 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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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 Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$1,000 and estimated useful lives in excess of two years.

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and improvements	20-50 years
Vehicles, 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.

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 Position.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

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.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amount budgeted in the support services function.

NOTE 2 - CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS:

The District's deposits in banks at June 30, 2014 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 insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 3 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2014 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Total capital assets not being depreciated/amortized	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	\$ 7,399,991	\$ 2,296	\$ -	\$ 7,402,287
Vehicles	611,181	30,400	-	641,581
Furniture and equipment	932,677	53,948	46,713	939,912
Intangibles	26,985	-	1,857	25,128
Total capital assets being depreciated/amortized	<u>\$ 8,970,834</u>	<u>\$ 86,644</u>	<u>\$ 48,570</u>	<u>\$ 9,008,908</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	\$ 1,526,665	\$ 188,617	\$ -	\$ 1,715,282
Vehicles	461,590	62,536	-	524,126
Furniture and equipment	663,940	29,626	45,592	647,974
Intangibles	26,253	732	1,857	25,128
Total accumulated depreciation/amortization	<u>\$ 2,678,448</u>	<u>\$ 281,511</u>	<u>\$ 47,449</u>	<u>\$ 2,912,510</u>
Total capital assets being depreciated/amortized, net	<u>\$ 6,292,386</u>	<u>\$ (194,867)</u>	<u>\$ 1,121</u>	<u>\$ 6,096,398</u>
Governmental activities capital assets, net	<u>\$ 6,342,386</u>	<u>\$ (194,867)</u>	<u>\$ 1,121</u>	<u>\$ 6,146,398</u>
Business type activities:				
Furniture and equipment	\$ 42,675	\$ -	\$ -	\$ 42,675
Less accumulated depreciation	<u>26,964</u>	<u>1,842</u>	<u>-</u>	<u>28,806</u>
Business type activities capital assets, net	<u>\$ 15,711</u>	<u>\$ (1,842)</u>	<u>\$ -</u>	<u>\$ 13,869</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 3 - CAPITAL ASSETS (CONTINUED):

Depreciation/amortization expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 130,720
Special	45,120
Other	22,935

Support services:

Student	6,658
Instructional staff	8,738
Administration	30,721
Operation and maintenance of plant	20,175
Transportation	<u>16,444</u>

Total depreciation/amortization expense - governmental activities \$ 281,511

Business type activities:

Food service operations	<u>\$ 1,842</u>
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NOTE 4 - LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 3,025,000	\$ -	\$ 95,000	\$ 2,930,000	\$ 125,000
Early retirement	<u>97,441</u>	<u>51,962</u>	<u>84,351</u>	<u>65,052</u>	<u>26,677</u>
Total	<u>\$ 3,122,441</u>	<u>\$ 51,962</u>	<u>\$ 179,351</u>	<u>\$ 2,995,052</u>	<u>\$ 151,677</u>

Early Retirement - The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least 55 and must have completed 10 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, 2014

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED):

At June 30, 2014, the District had obligations to three participants with a total liability of \$65,052 extending through the year ending June 30, 2018. Early retirement benefits paid during the year ended June 30, 2014 totaled \$19,244. 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.

Revenue Bonds - Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness 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>
2015	2.00%	\$ 125,000	\$ 103,781	\$ 228,781
2016	2.00%	140,000	101,131	241,131
2017	3.00%	145,000	97,556	242,556
2018	3.00%	150,000	93,131	243,131
2019	3.00%	155,000	88,556	243,556
Thereafter	3.00% - 4.375%	<u>2,215,000</u>	<u>567,401</u>	<u>2,782,401</u>
		<u>\$ 2,930,000</u>	<u>\$ 1,051,556</u>	<u>\$ 3,981,556</u>

The District has pledged future statewide sales, services and use tax revenues to repay the bonds issued in July 2011. The bonds were issued for the purpose of financing a portion of the costs of a new multi-purpose room addition and advance refunding the 2007 revenue bonds. 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 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 75 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,981,556. For the current year, \$200,981 in principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$391,191.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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) \$246,019 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all the revenue bond provisions during the year ended June 30, 2014.

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 5.95 percent of their annual covered salary and the District is required to contribute 8.93 percent of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$245,802, \$231,279, and \$214,289, respectively, equal to the required contributions for each year.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. There are 50 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

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.

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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 8,111
Interest on net OPEB obligation	3,300
Adjustments to annual required contribution	<u>(2,551)</u>
Annual OPEB cost	\$ 8,860
Contributions made	<u>(11,315)</u>
Decrease in net OPEB obligation	\$ (2,455)
Net OPEB obligation beginning of year	<u>73,343</u>
Net OPEB obligation end of year	<u>\$ 70,888</u>

The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

For the year ended June 30, 2014, the District contributed \$11,315 to the medical plan. Plan members eligible for benefits contributed \$3,534, or 24 percent of the premium costs.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2012	\$ 46,400	47.41%	\$ 75,600
2013	\$ 9,058	100.00%	\$ 73,343
2014	\$ 8,860	100.00%	\$ 70,888

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$64,205, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$64,205. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,800,000 and the ratio of the UAAL to covered payroll was 2.30 percent. As of June 30, 2014, there were no trust fund assets.

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 for the Retiree Health Plan, 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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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, 2012 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 and projects annual medical insurance premium increases of 3 percent.

Mortality rates are from the Life Expectancy Table from National Center for Health Statistics updated in 2008, applied on a gender-specific basis. Annual retirement and termination probabilities came from Table 1 in GASB Statement 45 paragraph 35(b). Active plan members were assumed to retire at age 60.

The salary increase rate was assumed to be 5.0 percent per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 7 - INTERFUND TRANSFERS:

During the year ended June 30, 2014, \$203,481 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. Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

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.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 \$185,423 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 10 - CONSTRUCTION COMMITMENT:

The District has entered into contracts totaling \$174,083 for building improvements. As of June 30, 2014, no costs had been incurred against the contracts. The balance of \$174,083 will be paid as work on the projects progresses.

NOTE 11 - PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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, 2014

	<u>Governmental Funds Actual</u>	<u>Proprietary Fund Actual</u>	<u>Total Actual</u>
Revenues:			
Local sources	\$ 3,031,180	\$ 129,551	\$ 3,160,731
State sources	2,272,973	1,660	2,274,633
Federal sources	<u>176,032</u>	<u>74,988</u>	<u>251,020</u>
Total revenues	<u>\$ 5,480,185</u>	<u>\$ 206,199</u>	<u>\$ 5,686,384</u>
Expenditures/expenses:			
Instruction	\$ 3,309,958	\$ -	\$ 3,309,958
Support services	1,377,714	-	1,377,714
Non-instructional programs	-	192,537	192,537
Other expenditures	<u>430,463</u>	<u>-</u>	<u>430,463</u>
Total expenditures/expenses	<u>\$ 5,118,135</u>	<u>\$ 192,537</u>	<u>\$ 5,310,672</u>
Excess (deficiency) of revenue over (under) expenditures/expenses	\$ 362,050	\$ 13,662	\$ 375,712
Other financing sources, net	<u>\$ 9,745</u>	<u>\$ -</u>	<u>\$ 9,745</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	\$ 371,795	\$ 13,662	\$ 385,457
Balances beginning of year	<u>1,152,939</u>	<u>57,384</u>	<u>1,210,323</u>
Balances end of year	<u>\$ 1,524,734</u>	<u>\$ 71,046</u>	<u>\$ 1,595,780</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
<u>Original</u>	<u>Final</u>	
\$ 3,477,539	\$ 3,477,539	\$ (316,808)
1,738,762	1,738,762	535,871
<u>373,000</u>	<u>373,000</u>	<u>(121,980)</u>
<u>\$ 5,589,301</u>	<u>\$ 5,589,301</u>	<u>\$ 97,083</u>
\$ 3,530,000	\$ 3,530,000	\$ 220,042
1,283,300	1,283,300	(94,414)
197,300	197,300	4,763
<u>749,370</u>	<u>749,370</u>	<u>318,907</u>
<u>\$ 5,759,970</u>	<u>\$ 5,759,970</u>	<u>\$ 449,298</u>
<u>\$ (170,669)</u>	<u>\$ (170,669)</u>	<u>\$ 546,381</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2014

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. 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 function 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, 2014, expenditures in the support services function exceeded the amounts budgeted.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE

RETIREE HEALTH PLAN (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year Ended</u> <u>June 30,</u>	<u>Actuarial</u> <u>Valuation Date</u>	<u>Actuarial</u> <u>Value of Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL (UAAL)</u> <u>(b-a)</u>	<u>Funded Ratio</u> <u>(a/b)</u>
2010	July 1, 2009	\$ -	\$ 294	\$ 294	0.0%
2013	July 1, 2012	\$ -	\$ 64	\$ 64	0.0%

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

SUPPLEMENTARY INFORMATION

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	<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>
ASSETS:				
Cash, cash equivalents and pooled investments	\$ 150,565	\$ 87,687	\$ -	\$ 238,252
Receivables:				
Property tax:				
Delinquent	1,532	-	-	1,532
Succeeding year	<u>177,300</u>	<u>-</u>	<u>-</u>	<u>177,300</u>
 Total assets	 <u>\$ 329,397</u>	 <u>\$ 87,687</u>	 <u>\$ -</u>	 <u>\$ 417,084</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	\$ 177,300	\$ -	\$ -	\$ 177,300
Total deferred inflows of resources	<u>\$ 177,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,300</u>
 Fund balances:				
Restricted for:				
Management levy purposes	\$ 152,097	\$ -	\$ -	\$ 152,097
Student activities	<u>-</u>	<u>87,687</u>	<u>-</u>	<u>87,687</u>
Total fund balances	<u>\$ 152,097</u>	<u>\$ 87,687</u>	<u>\$ -</u>	<u>\$ 239,784</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 329,397</u>	 <u>\$ 87,687</u>	 <u>\$ -</u>	 <u>\$ 417,084</u>

REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	Special Revenue		Debt Service	Total
	Management Levy	Student Activity		
Revenues:				
Local sources:				
Local tax	\$ 170,145	\$ -	\$ -	\$ 170,145
Other	-	100,412	-	100,412
Total revenues	<u>\$ 170,145</u>	<u>\$ 100,412</u>	<u>\$ -</u>	<u>\$ 270,557</u>
Expenditures:				
Current:				
Instruction:				
Regular	\$ 24,366	\$ -	\$ -	\$ 24,366
Other	3,381	80,628	-	84,009
	<u>\$ 27,747</u>	<u>\$ 80,628</u>	<u>\$ -</u>	<u>\$ 108,375</u>
Support services:				
Student	\$ 427	\$ -	\$ -	\$ 427
Instructional staff	202	-	-	202
Administration	14,800	-	-	14,800
Operation and maintenance of plant	38,199	-	-	38,199
Transportation	14,236	-	-	14,236
	<u>\$ 67,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,864</u>
Other expenditures:				
Long-term debt:				
Principal	\$ -	\$ -	\$ 95,000	\$ 95,000
Interest and fiscal charges	-	-	108,481	108,481
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,481</u>	<u>\$ 203,481</u>
Total expenditures	<u>\$ 95,611</u>	<u>\$ 80,628</u>	<u>\$ 203,481</u>	<u>\$ 379,720</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 74,534</u>	<u>\$ 19,784</u>	<u>\$ (203,481)</u>	<u>\$ (109,163)</u>
Other financing sources:				
Operating transfers in	\$ -	\$ -	\$ 203,481	\$ 203,481
Total other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,481</u>	<u>\$ 203,481</u>
Change in fund balances	\$ 74,534	\$ 19,784	\$ -	\$ 94,318
Fund balances beginning of year	<u>77,563</u>	<u>67,903</u>	<u>-</u>	<u>145,466</u>
Fund balances end of year	<u>\$ 152,097</u>	<u>\$ 87,687</u>	<u>\$ -</u>	<u>\$ 239,784</u>

See accompanying independent auditor's report.

REMSEN-UNION COMMUNITY SCHOOL DISTRICTSCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTSYEAR ENDED JUNE 30, 2014

ACCOUNT:	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 10,743	\$ 34,942	\$ 36,702	\$ 8,983
Boys Basketball	740	-	-	740
Class of 2009	68	-	-	68
Class of 2010	1,080	-	-	1,080
Class of 2011	43	-	-	43
Class of 2014	3,211	3,373	6,131	453
Class of 2015	1,999	1,334	1,985	1,348
Class of 2016	2,391	3,293	2,081	3,603
Class of 2017	3,487	-	66	3,421
Class of 2018	1,799	1,605	994	2,410
Class of 2019	438	793	501	730
Class of 2020	-	2,089	1,287	802
Have Club	10,071	13,661	15,022	8,710
Annual	9,327	3,904	5,929	7,302
Student council	190	5,612	5,201	601
Middle school student council	350	-	-	350
Band/Choir trip	-	8,539	-	8,539
Cheerleaders	576	955	982	549
Drill team	408	953	899	462
National Honor Society	2,267	1,082	1,461	1,888
Miscellaneous	519	-	204	315
Europe trip	147	15,855	-	16,002
Tag trip	-	2,300	1,183	1,117
Pep Club	50	-	-	50
Interest	2,895	122	-	3,017
Renaissance	15,104	-	-	15,104
Total	\$ 67,903	\$ 100,412	\$ 80,628	\$ 87,687

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECT ACCOUNTS

JUNE 30, 2014

	<u>Capital Projects</u>		
	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 662,838	\$ 128,847	\$ 791,685
Receivables:			
Property tax:			
Delinquent	-	677	677
Succeeding year	-	76,495	76,495
Due from other governments	<u>97,896</u>	<u>-</u>	<u>97,896</u>
 Total assets	 <u>\$ 760,734</u>	 <u>\$ 206,019</u>	 <u>\$ 966,753</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 76,495	\$ 76,495
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 76,495</u>	<u>\$ 76,495</u>
 Fund balances:			
Restricted for:			
Debt service	\$ 423,546	\$ -	\$ 423,546
School infrastructure	337,188	-	337,188
Physical plant and equipment	<u>-</u>	<u>129,524</u>	<u>129,524</u>
Total fund balances	<u>\$ 760,734</u>	<u>\$ 129,524</u>	<u>\$ 890,258</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 760,734</u>	 <u>\$ 206,019</u>	 <u>\$ 966,753</u>

REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - CAPITAL PROJECT ACCOUNTS

YEAR ENDED JUNE 30, 2014

	<u>Capital Projects</u>		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ -	\$ 72,867	\$ 72,867
Other	441	236	677
State sources	<u>391,191</u>	<u>-</u>	<u>391,191</u>
Total revenues	<u>\$ 391,632</u>	<u>\$ 73,103</u>	<u>\$ 464,735</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	\$ -	\$ 4,863	\$ 4,863
Operation and maintenance of plant	1,939	49,930	51,869
Transportation	<u>-</u>	<u>26,159</u>	<u>26,159</u>
	<u>\$ 1,939</u>	<u>\$ 80,952</u>	<u>\$ 82,891</u>
Other expenditures:			
Facilities acquisition	<u>\$ 36,594</u>	<u>\$ 4,965</u>	<u>\$ 41,559</u>
Total expenditures	<u>\$ 38,533</u>	<u>\$ 85,917</u>	<u>\$ 124,450</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 353,099</u>	<u>\$ (12,814)</u>	<u>\$ 340,285</u>
Other financing sources (uses):			
Operating transfers out	\$ (203,481)	\$ -	\$ (203,481)
Sale of capital assets	<u>-</u>	<u>9,745</u>	<u>9,745</u>
Total other financing sources (uses)	<u>\$ (203,481)</u>	<u>\$ 9,745</u>	<u>\$ (193,736)</u>
Change in fund balances	\$ 149,618	\$ (3,069)	\$ 146,549
Fund balances beginning of year	<u>611,116</u>	<u>132,593</u>	<u>743,709</u>
Fund balances end of year	<u>\$ 760,734</u>	<u>\$ 129,524</u>	<u>\$ 890,258</u>

See accompanying independent auditor's report.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -

ALL GOVERNMENTAL FUNDS

FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 2,606,436	\$ 2,915,844	\$ 2,553,884	\$ 2,419,368	\$ 2,243,001	\$ 2,153,482	\$ 2,132,560	\$ 2,103,137	\$ 2,142,768	\$ 2,092,341
Tuition	190,739	159,946	184,979	141,210	99,828	101,327	102,560	79,246	76,666	81,513
Other	234,005	222,122	335,146	260,969	210,830	256,126	301,398	255,104	242,311	220,991
State sources	2,272,973	1,723,052	1,838,316	1,688,870	1,415,202	1,854,733	1,673,772	1,623,109	1,502,553	1,431,003
Federal sources	176,032	188,569	272,503	211,899	509,684	262,194	138,445	177,809	145,989	163,385
Other financing sources, net	9,745	-	2,696,800	-	1,915	10,872	957,578	11,660	1,046	1,030
Total	<u>\$ 5,489,930</u>	<u>\$ 5,209,533</u>	<u>\$ 7,881,628</u>	<u>\$ 4,722,316</u>	<u>\$ 4,480,460</u>	<u>\$ 4,638,734</u>	<u>\$ 5,306,313</u>	<u>\$ 4,250,065</u>	<u>\$ 4,111,333</u>	<u>\$ 3,990,263</u>
Expenditures:										
Instruction:										
Regular	\$ 2,176,719	\$ 2,177,665	\$ 2,091,705	\$ 2,089,275	\$ 1,978,994	\$ 1,959,699	\$ 1,773,846	\$ 1,644,718	\$ 1,654,632	\$ 1,553,061
Special	751,336	704,115	680,772	555,594	604,583	523,834	523,586	447,486	398,928	463,054
Other	381,903	353,246	472,271	367,693	368,797	395,661	361,313	346,313	301,809	386,410
Support services:										
Student	110,877	102,137	97,335	92,765	89,014	89,179	84,791	79,926	74,742	29,485
Instructional staff	145,501	60,613	62,782	53,464	50,759	44,712	45,071	39,990	48,100	45,211
Administration	511,556	549,082	522,964	502,239	497,355	495,238	443,298	432,795	423,139	330,116
Operation and maintenance										
of plant	335,957	287,326	292,580	277,744	288,131	303,642	344,925	313,759	287,532	272,427
Transportation	273,823	211,912	219,394	289,901	214,481	229,649	206,111	182,487	185,669	165,703
Other expenditures:										
Facilities acquisition	41,559	425,646	1,939,819	317,016	246,949	548,624	1,073,546	254,908	233,337	488,221
Long-term debt:										
Principal	95,000	355,000	370,000	360,000	345,000	340,000	210,000	205,000	205,000	200,000
Interest and fiscal charges	108,481	117,994	150,642	47,943	59,008	78,263	39,290	43,288	46,773	49,572
AEA flow through	185,423	172,705	171,056	190,139	188,929	170,950	160,100	156,200	148,366	146,568
Total	<u>\$ 5,118,135</u>	<u>\$ 5,517,441</u>	<u>\$ 7,071,320</u>	<u>\$ 5,143,773</u>	<u>\$ 4,932,000</u>	<u>\$ 5,179,451</u>	<u>\$ 5,265,877</u>	<u>\$ 4,146,870</u>	<u>\$ 4,008,027</u>	<u>\$ 4,129,828</u>



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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 3, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a 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 material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given the limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies. We did identify a deficiency in internal control described in Part I of the accompanying Schedule of Findings and Responses as Item I-A-14 that we consider to be a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 which are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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.

Remsen-Union Community School District's Responses to Findings

The District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 3, 2015
Sioux City, Iowa

A handwritten signature in black ink, reading "King Reinach Prosser & Co. LLP". The signature is written in a cursive, flowing style.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES:

I-A-14 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or fraud. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for many accounting and financial duties.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. Nevertheless, the District should review and segregate duties to the extent possible especially with respect to cash receipts. For example, a different individual should (a) open the mail, (b) deposit cash receipts, and (c) record cash receipts to the general ledger.

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

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the certified budget amounts in the support services function.

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

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

(CONTINUED)

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

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

Conclusion - Response accepted.

- II-B-14 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-14 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-14 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 ensure that the coverage is adequate for current operations.
- II-F-14 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 Deposits and Investments - 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 were noted.
- II-J-14 Certified Annual Report - The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

(CONTINUED)

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

II-K-14 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.

II-L-14 Statewide Sales, Services and Use Tax - No instances of noncompliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 611,116
Revenues/transfers in:		
Sales tax revenues	\$ 391,191	
Other local revenues	<u>441</u>	<u>391,632</u>
		\$ 1,002,748
Expenditures/transfers out:		
Transfers to debt service fund	\$ 203,481	
Furniture and equipment	6,832	
Other	<u>31,701</u>	<u>242,014</u>
Ending Balance		<u><u>\$ 760,734</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.