

UNION COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2005

NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the Union Community School District in La Porte City, Iowa.

The District's revenues for governmental funds totaled \$10,674,250 for the year ended June 30, 2005 and included \$4,239,101 in local tax, \$5,013,465 from the state, and \$194,256 from the federal government. The District also received \$800 from the sale of equipment which is reported as an other financing source.

Governmental fund expenditures for the year totaled \$10,745,098 and included \$6,665,654 for instruction, \$2,889,524 for support services and \$1,186,008 for other expenditures.

A copy of the audit report is available for review in the office of the Auditor of State and the District Secretary's office.

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Union Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2004 Election)</b>		
Bart Flush	President	2006
Joe Connolly	Vice President	2004
John Robb	Board Member	2005
Reda Charmichael	Board Member	2006
Mark Nechanicky	Board Member	2004
Debra Oliver	Board Member	2005
Alan Finke	Board Member	2005

**Board of Education**

**(After September 2004 Election)**

Bart Flush	President	2006
Debra Oliver	Vice President	2005
John Robb	Board Member (Resigned)	2005
Reda Charmichael	Board Member	2006
Gordon Jewett	Board Member	2007
Jim Barz	Board Member	2007
Alan Finke	Board Member	2005
Jeff Roberts	Board Member (Appointed)	2005

**School Officials**

Barry Green	Superintendent	2005
Kathy Krug	District Secretary/Treasurer and Business Manager	2005
Steve Weidner	Attorney	2005

**NOTLE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Union Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Union Community School District, Laporte City, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Union Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

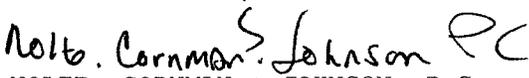
In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2005 on our consideration of Union Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We

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have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

December 7, 2005

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Union Community School 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$8,891,992 in fiscal year 2004 to \$9,070,679 in fiscal year 2005, while General Fund expenditures increased from \$9,113,895 in fiscal 2004 to \$9,304,788 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from \$236,664 in fiscal 2004 to \$37,086 in fiscal 2005, an 84.3% decrease from prior year.
- The increase in General Fund revenues was attributable to an increase in state grant revenues in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.
- Overall, the Districts net assets decreased in both the governmental and business-type activities, \$69,248 and \$39,323, respectively.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Union Community School 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 Union Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Union Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

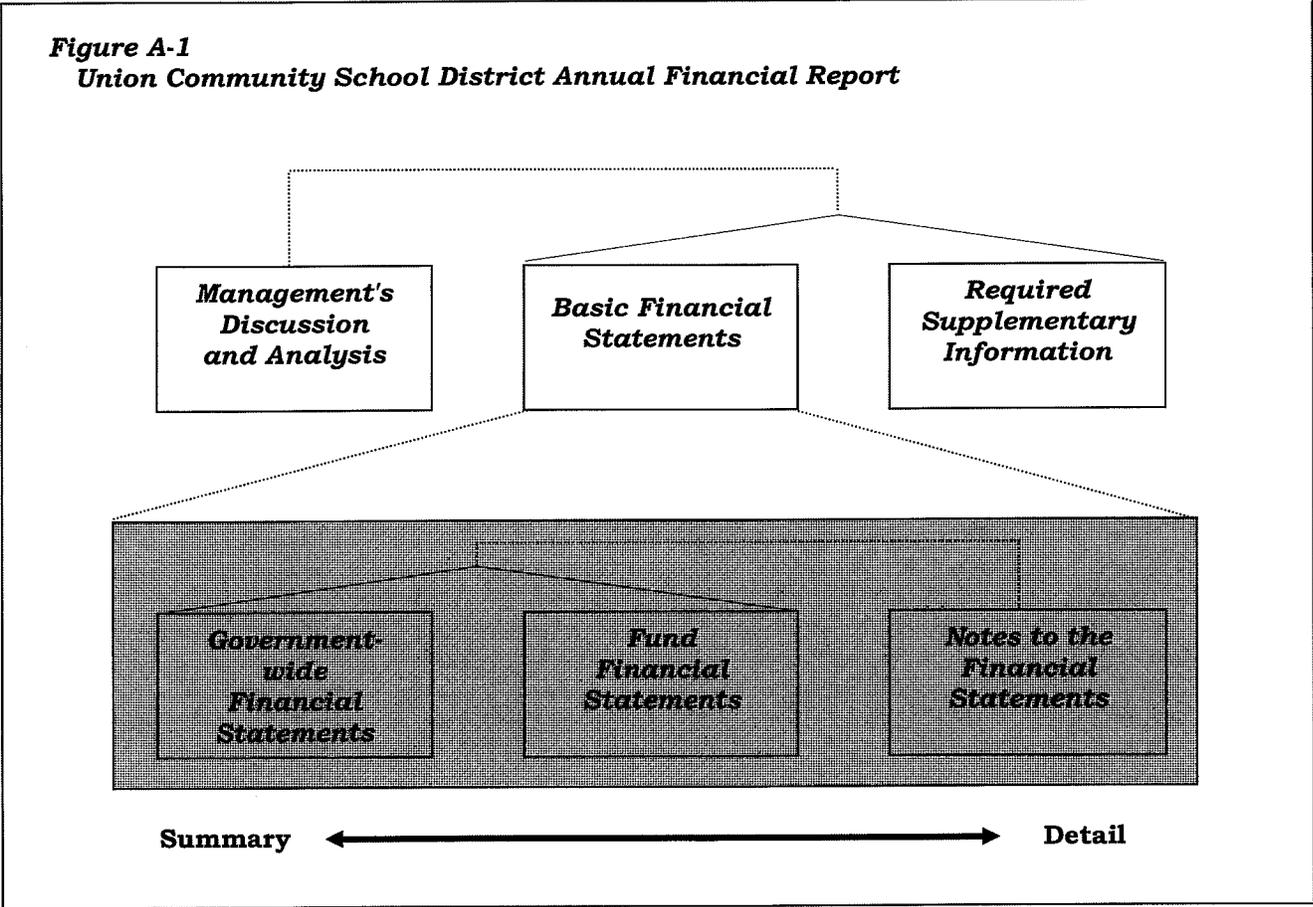


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the 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 funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Day and Knight Student Store/Cookbook Sales Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 7,983,731	7,964,945	\$ 16,345	43,210	\$ 8,000,076	8,008,155	-0.10%
Capital assets	5,498,492	5,329,204	78,112	81,875	5,576,604	5,411,079	3.06%
Total assets	<u>13,482,223</u>	<u>13,294,149</u>	<u>94,457</u>	<u>125,085</u>	<u>13,576,680</u>	<u>13,419,234</u>	<u>1.17%</u>
Long-term obligations	1,512,724	2,275,342	0	0	1,512,724	2,275,342	-33.52%
Other liabilities	5,892,661	5,815,108	16,329	7,634	5,908,990	5,822,742	1.48%
Total liabilities	<u>7,405,385</u>	<u>8,090,450</u>	<u>16,329</u>	<u>7,634</u>	<u>7,421,714</u>	<u>8,098,084</u>	<u>-8.35%</u>
Net assets:							
Invested in capital assets, net of related debt	4,959,645	3,718,324	78,112	81,875	5,037,757	3,800,199	32.57%
Restricted	870,128	1,075,010	0	0	870,128	1,075,010	-19.06%
Unrestricted	247,065	410,365	16	35,576	247,081	445,941	-44.59%
Total net assets	<u>\$ 6,076,838</u>	<u>5,203,699</u>	<u>\$ 78,128</u>	<u>117,451</u>	<u>\$ 6,154,966</u>	<u>5,321,150</u>	<u>15.67%</u>

The District's combined net assets increased by nearly 16% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately 19% over the prior year. The decrease was primarily a result of the decrease in the Special Revenue-Expendable Trust Fund, due to the transfer of funds to the Capital Projects Fund.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately 45% from the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
	<b>Revenues:</b>						
<b>Program revenues:</b>							
Charges for services	\$ 962,993	1,013,554	\$ 307,248	295,078	1,270,241	1,308,632	-2.93%
Operating grants and contributions and restricted interest	960,692	1,050,144	187,309	184,866	1,148,001	1,235,010	-7.05%
<b>General revenues:</b>							
Property tax	3,508,431	3,566,144	0	0	3,508,431	3,566,144	-1.62%
Local option sales and service tax	738,482	641,649	0	0	738,482	641,649	0.00%
Unrestricted state grants	4,247,029	3,884,402	0	0	4,247,029	3,884,402	9.34%
Other	266,235	14,785	(423)	244	265,812	15,029	1668.66%
<b>Total revenues</b>	<b>10,683,862</b>	<b>10,170,678</b>	<b>494,134</b>	<b>480,188</b>	<b>11,177,996</b>	<b>10,650,866</b>	<b>4.95%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instructional	6,722,959	7,000,153	0	0	6,722,959	7,000,153	-3.96%
Support services	3,140,687	2,901,710	0	0	3,140,687	2,901,710	8.24%
Non-instructional programs	3,912	6,248	533,457	477,144	537,369	483,392	11.17%
Other expenses	662,778	765,809	0	0	662,778	765,809	-13.45%
<b>Total expenses</b>	<b>10,530,336</b>	<b>10,673,920</b>	<b>533,457</b>	<b>477,144</b>	<b>11,063,793</b>	<b>11,151,064</b>	<b>-0.78%</b>
<b>Change in net assets</b>	<b>153,526</b>	<b>(503,242)</b>	<b>(39,323)</b>	<b>3,044</b>	<b>114,203</b>	<b>(500,198)</b>	<b>-122.83%</b>
<b>Net assets beginning of year, as restated (Note 11)</b>	<b>5,923,512</b>	<b>5,706,941</b>	<b>117,451</b>	<b>114,407</b>	<b>6,040,963</b>	<b>5,821,348</b>	<b>3.77%</b>
<b>Net assets end of year</b>	<b>\$ 6,077,038</b>	<b>5,203,699</b>	<b>\$ 78,128</b>	<b>117,451</b>	<b>6,155,166</b>	<b>5,321,150</b>	<b>15.67%</b>

Property tax, local option sales and services tax and unrestricted state grants account for 76% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$10,683,862 and expenses were \$10,530,336.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 6,722,959	5,150,653
Support services	3,140,687	3,140,687
Non-instructional	3,912	3,912
Other expenses	662,778	311,399
<b>Totals</b>	<b>\$ 10,530,336</b>	<b>8,606,651</b>

- The cost financed by users of the District's programs was \$962,993.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$960,692.
- The net cost of governmental activities was financed with \$3,508,431 in property tax, \$738,482 in local option sales and services tax, \$4,247,029 in state foundation aid, \$99,357 in interest income and \$800 in gain on sale of equipment.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$494,934 and expenses were \$533,457. The District's business-type activities include the School Nutrition Fund and the Day and Knight Student Store/Cookbook Sales Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Union Community School 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 \$1,847,837, below last year's ending fund balances of \$1,917,085. However, the primary reason for the decrease in combined fund balances in fiscal 2005 is due to increased expenditures in the General Fund, as well as the District spending donated funds recorded in the Special Revenue, Expendable Trust Fund.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position from \$236,664 to \$37,086 is the product of many factors:
  - Increase in state aid and tuition during the year resulted in an increase in revenues.
  - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
  - Despite the increases in revenues, the increase in expenditures was still enough to result in a net decrease of \$199,578.
- The Special Revenue, Expendable Trust Fund balance decreased from \$770,606 in fiscal 2004 to \$646,263 in fiscal 2005. This decrease is due to the spending of estate donations for student programs.
- The Capital Projects Fund balance increased from \$537,060 in fiscal 2004 to \$731,424 in fiscal 2005. This is due to increased revenues from the transfer of \$180,476 from the Anders Estate.

### **Proprietary Funds Highlights**

The School Nutrition Fund net assets decreased from \$116,651 at June 30, 2004 to \$78,128 at June 30, 2005, representing a decrease of 33%.

A transfer of \$800 to the General Fund occurred during 2005, in order to close out the Day and Knight Fund.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$170,627 less than budgeted revenues, a variance of 1.58%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. 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.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, the District had invested \$5.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$622,580.

The original cost of the District's capital assets was \$14,271,218. Governmental funds account for \$14,054,613 with the remainder of \$216,605 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings category. The District's building improvements totaled \$119,672 at June 30, 2004, compared to \$82,152 reported at June 30, 2005. This significant decrease resulted from current year depreciation expense.

As noted in Note 11 to the financial statements, the capital/net assets were restated due to the change in class lives of some of the assets. This resulted in the capital assets of \$5,329,204 as of June 30, 2004 to be restated to \$6,049,017 as of July 1, 2004.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 53,729	53,729	\$ 0	0	\$ 53,729	53,729	0.00%
Buildings	4,552,198	4,719,117	0	0	4,552,198	4,719,117	-3.67%
Improvements other than buildings	82,152	119,672	0	0	82,152	119,672	-45.67%
Machinery and equipment	810,413	1,156,499	78,112	81,875	888,525	1,238,374	-39.37%
Total	<u>\$ 5,498,492</u>	<u>6,049,017</u>	<u>\$ 78,112</u>	<u>81,875</u>	<u>\$ 5,576,604</u>	<u>6,130,892</u>	<u>-9.94%</u>

### Long-Term Debt

At June 30, 2005, the District had \$1,512,724 in other long-term debt outstanding. This represents a decrease of 33.5% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding revenue bonded indebtedness payable from the Capital Projects Fund of \$1,265,000 at June 30, 2005.

The District had total outstanding notes payable from the Special Revenue, Physical Plant and Equipment Levy to the Special Revenue, Expendable Trust Fund of \$150,000 at June 30, 2005.

The District had total outstanding early retirement payable from the Special Revenue, Management Fund of \$97,724 at June 30, 2005.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
Revenue bonds	\$ 1,265,000	1,545,000	-18.1%
Revenue bans	0	445,000	-100.0%
Note payable	150,000	150,000	0.0%
Early retirement	97,724	135,342	-27.8%
Totals	\$ 1,512,724	2,275,342	-33.5%

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The voters of Tama and Benton Counties passed the Local Option Sales and Services Tax for School Infrastructure (SILO). This 1 cent tax on sales and services will greatly benefit the District in maintaining their buildings, purchasing equipment and debt repayment. The funding began in September 2004.

## **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 Kathy Krug, District Secretary/Treasurer and Business Manager, Union Community School District, 200 Adams, La Porte City, Iowa, 50651.

BASIC FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 2,347,692	0	2,347,692
Other	1,631,696	6,129	1,637,825
Receivables:			
Property tax:			
Delinquent	57,726	0	57,726
Succeeding year	3,267,686	0	3,267,686
Income surtax	248,504	0	248,504
Accounts	45,058	1,270	46,328
Accrued interest:			
ISCAP(Note 4)	12,513	0	12,513
Note(Note 7)	150,000	0	150,000
Due from other governments	222,856	0	222,856
Inventories	0	8,946	8,946
Capital assets, net of accumulated depreciation(Note 5)	5,498,492	78,112	5,576,604
<b>TOTAL ASSETS</b>	<b>13,482,223</b>	<b>94,457</b>	<b>13,576,680</b>
<b>LIABILITIES</b>			
Accounts payable	59,466	8,680	68,146
Salaries and benefits payable	57,398	0	57,398
ISCAP warrants payable(Note 4)	2,463,000	0	2,463,000
ISCAP interest payable(Note 4)	13,805	0	13,805
ISCAP unamortized premium	26,035	0	26,035
Accrued interest payable	5,271	0	5,271
Deferred revenue:			
Succeeding year property tax	3,267,686	0	3,267,686
Other	0	7,649	7,649
Long-term liabilities(Note 6):			
Portion due within one year:			
Revenue bonds payable	290,000	0	290,000
Early retirement payable	42,860	0	42,860
Portion due after one year:			
Revenue bonds payable	975,000	0	975,000
Note payable	150,000	0	150,000
Early retirement payable	54,864	0	54,864
<b>TOTAL LIABILITIES</b>	<b>7,405,385</b>	<b>16,329</b>	<b>7,421,714</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	4,959,645	78,112	5,037,757
Restricted for:			
Talented and gifted	12,072	0	12,072
Physical plant and equipment levy	3,665	0	3,665
Expendable trust	646,263	0	646,263
Other special revenue purposes	208,128	0	208,128
Unrestricted	247,065	16	247,081
<b>TOTAL NET ASSETS</b>	<b>\$ 6,076,838</b>	<b>78,128</b>	<b>6,154,966</b>

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
JUNE 30, 2005

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 4,483,705	294,161	549,326
Special instruction	1,249,955	0	59,987
Other instruction	989,299	668,832	0
	<u>6,722,959</u>	<u>962,993</u>	<u>609,313</u>
Support services:			
Student services	228,475	0	0
Instructional staff services	494,063	0	0
Administration services	1,002,654	0	0
Operation and maintenance of plant services	768,659	0	0
Transportation services	646,836	0	0
	<u>3,140,687</u>	<u>0</u>	<u>0</u>
Non-instructional programs:			
Food service operations	3,912	0	0
Other expenditures:			
Facilities acquisitions	13,956	0	0
Long-term debt interest	93,004	0	0
AEA flowthrough	351,379	0	351,379
Depreciation(unallocated)*	204,439	0	0
	<u>662,778</u>	<u>0</u>	<u>351,379</u>
Total governmental activities	10,530,336	962,993	960,692
Business-Type activities:			
Non-instructional programs:			
Nutrition services	533,457	307,248	187,309
Day and Knight	0	0	0
Total business-type activities	<u>533,457</u>	<u>307,248</u>	<u>187,309</u>
Total	<u>\$ 11,063,793</u>	<u>1,270,241</u>	<u>1,148,001</u>

**General Revenues:**

Property tax levied for:  
  General purposes  
  Capital outlay  
Local option sales and services tax  
Unrestricted state grants  
Unrestricted investment earnings  
Transfers  
Gain on sale of equipment

Total general revenues

Changes in net assets

Net assets beginning of year, as restated(Note 11)

Net assets end of year

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(3,640,218)	0	(3,640,218)
(1,189,968)	0	(1,189,968)
(320,467)	0	(320,467)
<u>(5,150,653)</u>	<u>0</u>	<u>(5,150,653)</u>
(228,475)	0	(228,475)
(494,063)	0	(494,063)
(1,002,654)	0	(1,002,654)
(768,659)	0	(768,659)
(646,836)	0	(646,836)
<u>(3,140,687)</u>	<u>0</u>	<u>(3,140,687)</u>
(3,912)	0	(3,912)
(13,956)	0	(13,956)
(93,004)	0	(93,004)
0	0	0
(204,439)	0	(204,439)
<u>(311,399)</u>	<u>0</u>	<u>(311,399)</u>
(8,606,651)	0	(8,606,651)
0	(38,900)	(38,900)
0	0	0
<u>0</u>	<u>(38,900)</u>	<u>(38,900)</u>
(8,606,651)	(38,900)	(8,645,551)
\$ 3,418,385	0	3,418,385
90,046	0	90,046
738,482	0	738,482
4,247,029	0	4,247,029
264,435	377	264,812
800	(800)	0
800	0	800
<u>8,759,977</u>	<u>(423)</u>	<u>8,759,554</u>
153,326	(39,323)	114,003
<u>5,923,512</u>	<u>117,451</u>	<u>6,040,963</u>
<u>\$ 6,076,838</u>	<u>78,128</u>	<u>6,154,966</u>

UNION COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General	Special Revenue - Expendable Trust	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and pooled investments:					
ISCAP(Note 4)	\$ 2,347,692	0	0	0	2,347,692
Other	202,810	496,263	508,568	424,055	1,631,696
Receivables:					
Property tax					
Delinquent	52,921	0	0	4,805	57,726
Succeeding year	3,005,635	0	0	262,051	3,267,686
Income surtax	248,504	0	0	0	248,504
Accounts	37,142	0	0	7,916	45,058
Accrued interest:					
ISCAP(Note 4)	12,513	0	0	0	12,513
Note(Note 7)	0	150,000	0	0	150,000
Due from other governments	0	0	222,856	0	222,856
<b>TOTAL ASSETS</b>	<b>\$ 5,907,217</b>	<b>646,263</b>	<b>731,424</b>	<b>698,827</b>	<b>7,983,731</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 55,754	0	0	3,712	59,466
Salaries and benefits payable	57,398	0	0	0	57,398
ISCAP warrants payable(Note 4)	2,463,000	0	0	0	2,463,000
ISCAP interest payable(Note 4)	13,805	0	0	0	13,805
ISCAP unamortized premium	26,035	0	0	0	26,035
Deferred revenue:					
Succeeding year property tax	3,005,635	0	0	262,051	3,267,686
Income surtax	248,504	0	0	0	248,504
<b>Total liabilities</b>	<b>5,870,131</b>	<b>0</b>	<b>0</b>	<b>265,763</b>	<b>6,135,894</b>
Fund balances:					
Reserved for:					
Talented and gifted	12,072	0	0	0	12,072
Unreserved:					
General	25,014	0	0	0	25,014
Expendable trust	0	646,263	0	0	646,263
Capital projects	0	0	731,424	0	731,424
Management levy	0	0	0	71,271	71,271
Physical plant and equipment levy	0	0	0	153,665	153,665
Other special revenue purposes	0	0	0	208,128	208,128
<b>Total fund balances</b>	<b>37,086</b>	<b>646,263</b>	<b>731,424</b>	<b>433,064</b>	<b>1,847,837</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,907,217</b>	<b>646,263</b>	<b>731,424</b>	<b>698,827</b>	<b>7,983,731</b>

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2005

<b>Total fund balances of governmental funds (page 17)</b>	\$	1,847,837
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		5,498,492
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		248,504
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(5,271)
Long-term liabilities, including revenue bonds payable, revenue bonds payable, note payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(1,512,724)
		<u>(1,512,724)</u>
<b>Net assets of governmental activities (page 14)</b>	<b>\$</b>	<b><u>6,076,838</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005

	General	Special Revenue - Expendable Trust	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 3,231,555	0	0	269,064	3,500,619
Local option sales and service tax	0	0	738,482	0	738,482
Tuition	294,161	0	0	0	294,161
Other	265,524	166,285	13,896	322,484	768,189
Intermediate sources	165,078	0	0	0	165,078
State sources	4,920,105	0	93,119	241	5,013,465
Federal sources	194,256	0	0	0	194,256
Total revenues	9,070,679	166,285	845,497	591,789	10,674,250
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	4,209,293	110,152	0	87,342	4,406,787
Special instruction	1,249,955	0	0	0	1,249,955
Other instruction	720,637	0	0	288,275	1,008,912
	6,179,885	110,152	0	375,617	6,665,654
Support services:					
Student services	210,378	0	0	8,006	218,384
Instructional staff services	363,933	0	0	0	363,933
Administration services	959,312	0	0	35,726	995,038
Operation and maintenance of plant services	709,552	0	0	48,429	757,981
Transportation services	526,437	0	0	27,751	554,188
	2,769,612	0	0	119,912	2,889,524
Non-instruction:					
Community service & other enterprise operations	3,912	0	0	0	3,912
Other expenditures:					
Facilities acquisitions	0	0	10,936	3,020	13,956
Long-term debt:					
Principal	0	0	0	725,000	725,000
Interest and fiscal charges	0	0	0	95,673	95,673
AEA flowthrough	351,379	0	0	0	351,379
	351,379	0	10,936	823,693	1,186,008
Total expenditures	9,304,788	110,152	10,936	1,319,222	10,745,098
Excess (deficiency) of revenues over (under) expenditures	(234,109)	56,133	834,561	(727,433)	(70,848)
Other financing sources (uses):					
Transfer in	33,731	0	180,476	820,673	1,034,880
Transfer out	0	(180,476)	(820,673)	(32,931)	(1,034,080)
Sale of equipment	800	0	0	0	800
Total other financing sources (uses)	34,531	(180,476)	(640,197)	787,742	1,600
Net change in fund balances	(199,578)	(124,343)	194,364	60,309	(69,248)
Fund balance beginning of year	236,664	770,606	537,060	372,755	1,917,085
Fund balance end of year	\$ 37,086	646,263	731,424	433,064	1,847,837

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2005

**Net change in fund balances - total governmental funds (page 19)** \$ (69,248)

**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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of current depreciation exceed expenditures in the current year, as follows:

Capital outlay	\$ 59,681	
Depreciation expense	<u>(610,206)</u>	(550,525)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 7,812

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.

Early Retirement 37,618

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 725,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,669

**Changes in net assets of governmental activities (page 16)** \$ 153,326

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005

	School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 6,129
Accounts receivable	1,270
Inventories	8,946
Capital assets, net of accumulated depreciation (Note 5)	78,112
TOTAL ASSETS	94,457
LIABILITIES	
Accounts payable	8,680
Deferred revenue:	
Other	7,649
TOTAL LIABILITIES	16,329
NET ASSETS	
Investment in capital assets, net of related debt	78,112
Unrestricted	16
Total net assets	\$ 78,128

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2005

	School Nutrition	Day and Knight	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 307,248	0	307,248
OPERATING EXPENSES:			
Non-instructional programs:			
Food service operations:			
Salaries	142,900	0	142,900
Benefits	102,153	0	102,153
Services	7,829	0	7,829
Supplies	268,201	0	268,201
Depreciation	12,374	0	12,374
TOTAL OPERATING EXPENSES	533,457	0	533,457
OPERATING INCOME (LOSS)	(226,209)	0	(226,209)
NON-OPERATING REVENUES:			
State sources	7,479	0	7,479
Federal sources	179,830	0	179,830
Interest income	377	0	377
TOTAL NON-OPERATING REVENUES	187,686	0	187,686
Other financing uses	0	(800)	(800)
Changes in net assets	(38,523)	(800)	(39,323)
Net assets beginning of year	116,651	800	117,451
Net assets end of year	\$ 78,128	0	78,128

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2005

	School Nutrition	Day and Knight	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 302,879	0	302,879
Cash received from miscellaneous operating activities	3,888	0	3,888
Cash payments to employees for services	(245,053)	0	(245,053)
Cash payments to suppliers for goods or services	(240,917)	0	(240,917)
Net cash used in operating activities	<u>(179,203)</u>	<u>0</u>	<u>(179,203)</u>
Cash flows from non-capital financing activities:			
State grants received	7,479	0	7,479
Federal grants received	148,900	0	148,900
Transfer to General Fund	0	(800)	(800)
Net cash provided by(used in) non-capital financing activities	<u>156,379</u>	<u>(800)</u>	<u>155,579</u>
Cash flows from capital financing activities:			
Acquisition of capital assets	(8,611)	0	(8,611)
Net cash used in capital financing activities	<u>(8,611)</u>	<u>0</u>	<u>(8,611)</u>
Cash flows from investing activities:			
Interest on investment	377	0	377
Net cash provided by investing activities	<u>377</u>	<u>0</u>	<u>377</u>
Net decrease in cash and cash equivalents	(31,058)	(800)	(31,858)
Cash and cash equivalents at beginning of year	37,187	800	37,987
Cash and cash equivalents at end of year	<u>\$ 6,129</u>	<u>0</u>	<u>6,129</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (226,209)	0	(226,209)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	30,930	0	30,930
Depreciation	12,374	0	12,374
Increase in inventories	(4,110)	0	(4,110)
Increase in accounts receivable	(883)	0	(883)
Increase in accounts payable	8,293	0	8,293
Increase in deferred revenue	402	0	402
Net cash used in operating activities	<u>\$ (179,203)</u>	<u>0</u>	<u>(179,203)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and investments	<u>\$ 6,129</u>	<u>0</u>	<u>6,129</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			

During the year ended June 30, 2005, the District received Federal commodities valued at \$30,930.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

**(1) Summary of Significant Accounting Policies**

The Union Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of La Porte City, Dysart and Mount Auburn, Iowa, and the predominate agricultural territory in Tama, Blackhawk, Buchanan and Benton Counties. The District is governed by a Board of Education whose members are elected on a non-partisan 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.

**A. Reporting Entity**

For financial reporting purposes, Union Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board 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 Union Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - 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 Tama, Blackhawk, Buchanan and Benton Counties Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary 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 support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Special Revenue, Expendable Trust Fund is utilized to account for the payments of scholarships to students.

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

The District reports the following proprietary funds:

The District's proprietary funds are the School Nutrition Fund and the Day and Knight Fund. The Nutrition Fund is used to account for the food service operations of the District. The Day and Knight Fund is used to account for

the student store/cookbook sales operations of the District.

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences 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 terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

Property Tax Receivable - Property tax in the governmental funds are 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 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs 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 the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax

receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, expenditures in the other expenditures functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by federal depository insurance or 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.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified portfolio	<u>\$ 1,302,913</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

**(3) Transfers**

The detail of transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 820,673
Capital Projects	Special Revenue, Expendable Trust	180,476
General	Enterprise, Day and Knight	800
General	Special Revenue, Activity	<u>32,931</u>
Total		<u>\$ 1,034,880</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2004-05B	1/28/05	1/27/06	\$ 818,719	12,513	941,000	13,805
2005-06A	6/28/05	6/28/06	1,528,973	0	1,522,000	0
Total			<u>\$ 2,347,692</u>	<u>12,513</u>	<u>2,463,000</u>	<u>13,805</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	\$ 0	1,250,000	1,250,000	0
2004-05B	0	899,000	774,000	125,000
Total	\$ 0	2,149,000	2,024,000	125,000

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2004-05B	3.500%	3.232%
2005-06A	3.500%	3.903%

#### (5) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year, as Restated (Note 11)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 53,729	0	0	53,729
Total capital assets not being depreciated	53,729	0	0	53,729
Capital assets being depreciated:				
Buildings	8,735,504	0	0	8,735,504
Land improvements	1,182,226	0	0	1,182,226
Machinery and equipment	4,023,473	59,681	0	4,083,154
Total capital assets being depreciated	13,941,203	59,681	0	14,000,884
Less accumulated depreciation for:				
Buildings	4,016,387	166,919	0	4,183,306
Land improvements	1,062,554	37,520	0	1,100,074
Machinery and equipment	2,866,974	405,767	0	3,272,741
Total accumulated depreciation	7,945,915	610,206	0	8,556,121
Total capital assets being depreciated, net	5,995,288	(550,525)	0	5,444,763
Governmental activities capital assets, net	\$ 6,049,017	(550,525)	0	5,498,492

	Balance			Balance
	Beginning of	Increases	Decreases	End
	Year			of Year
Business-type activities:				
Machinery and equipment	\$ 207,994	8,611	0	216,605
Less accumulated depreciation	126,119	12,374	0	138,493
Business-type activities capital assets, net	\$ 81,875	(3,763)	0	78,112

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 145,763
Support services:		
Student		2,085
Instructional staff		137,299
Administration		15,209
Operation and maintenance of plant		4,236
Non-instructional programs		101,175
		<u>405,767</u>
Unallocated depreciation		204,439
		<u>610,206</u>
Total governmental activities depreciation expense		\$ 610,206
Business-type activities:		
Food services		\$ 12,374

#### (6) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2005 is as follows:

	Balance			Balance	Due
	Beginning	Additions	Deletions	End of	Within
	of Year			Year	One Year
Revenue bonds	1,545,000	0	280,000	1,265,000	290,000
Revenue bans	445,000	0	445,000	0	0
Notes payable	150,000	0	0	150,000	0
Early retirement	135,342	34,048	71,666	97,724	42,860
Total	\$ 2,275,342	34,048	796,666	1,512,724	332,860

#### Revenue Bonds Payable

Revenue bonds are paid with local option sales and service tax monies from the Capital Projects Fund. Details of the District's June 30, 2005 revenue bonded indebtedness are as follows:

Year	Issue dated December 1, 2001			
	Ending Interest	Principal	Interest	Total
June 30,	Rates			
2006	5.00 %	\$ 290,000	63,250	353,250
2007	5.00	310,000	48,750	358,750
2008	5.00	325,000	33,250	358,250
2009	5.00	340,000	17,000	357,000
Total		\$ 1,265,000	162,250	1,427,250

### Note Payable

During the year ended June 30, 2000, the PPEL borrowed \$250,000 from the Bower Trust for construction expenses. The District is currently making annual payments from the Physical Plant and Equipment Levy to the Bower Trust to repay the amount borrowed. The Board intentionally disregarded the repayment schedule set in place when the amount was originally borrowed. However, the District reserves the right to not repay the amount borrowed. Since there is no current repayment schedule in place, we are unable to determine the amount to be repaid within one year. The balance of the notes payable at June 30, 2005 is \$150,000.

### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a calculation of base salary less starting base salary and number of years of consecutive service. Early retirement benefits paid during the year ended June 30, 2005, totaled \$71,666. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

#### **(7) Note Receivable**

The District's Bower Trust fund loaned the Special Revenue, Physical Plant and Equipment Levy Fund \$250,000 to be used for construction expenses. The District currently plans on repaying this loan over the next several years. At the same time, the District is not required to repay this loan. The balance of the note receivable is \$150,000 at June 30, 2005.

#### **(8) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$276,004, \$270,784 and \$263,198 respectively, equal to the required contributions for each year.

#### **(9) Risk Management**

Union Community School 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) 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 \$351,379 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

**(11) Restate Capital Assets/Net Assets Beginning Balances**

This restatement is due to the effect of converting the assets class life on the software system from the appraisal numbers taken in 2004, in order to comply with the fixed asset board policy that is in place. The restatement of the capital and net assets are as follows:

	Balance 6/30/2004 as Previously Reported			Balance 7/1/2004 as Restated
	Increases	Decreases		
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 53,729	0	0	53,729
Total capital assets not being depreciated	53,729	0	0	53,729
Capital assets being depreciated:				
Buildings	8,735,504	0	0	8,735,504
Land improvements	1,182,226	0	0	1,182,226
Machinery and equipment	4,142,668	0	119,195	4,023,473
Total capital assets being depreciated	14,060,398	0	119,195	13,941,203
Less accumulated depreciation for:				
Buildings	4,998,066	0	981,679	4,016,387
Land improvements	1,106,524	0	43,970	1,062,554
Machinery and equipment	2,680,333	186,641	0	2,866,974
Total accumulated depreciation	8,784,923	186,641	1,025,649	7,945,915
Total capital assets being depreciated, net	5,275,475	(186,641)	(906,454)	5,995,288
Governmental activities capital assets, net	\$ 5,329,204	(186,641)	(906,454)	6,049,017

The effect of the adjustment to restate the capital assets results in a change to the previously reported governmental activities, net assets as follows:

Net assets, June 30, 2004 as previously reported	\$ 5,203,699
Capital asset adjustment, net	719,813
Net assets, July 1, 2004, as restated	<u>\$ 5,923,512</u>

REQUIRED SUPPLEMENTARY INFORMATION

UNION COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 5,202,469	303,034
Intermediate sources	165,078	0
State sources	4,921,347	7,479
Federal sources	209,264	179,830
Total receipts	<u>10,498,158</u>	<u>490,343</u>
Disbursements:		
Instruction	6,622,184	0
Support services	2,733,310	0
Non-instructional programs	3,912	521,401
Other expenditures	1,200,651	0
Total disbursements	<u>10,560,057</u>	<u>521,401</u>
Deficiency of receipts under disbursements	(61,899)	(31,058)
Other financing sources, net	<u>1,600</u>	<u>(800)</u>
Deficiency of receipts and other financing sources under disbursements and other financing uses	(60,299)	(31,858)
Balance beginning of year	<u>1,691,995</u>	<u>37,987</u>
Balance end of year	<u>\$ 1,631,696</u>	<u>6,129</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
5,505,503	5,292,439	5,292,439	(213,064)
165,078	160,000	160,000	(5,078)
4,928,826	4,970,435	4,970,435	41,609
389,094	395,000	395,000	5,906
<u>10,988,501</u>	<u>10,817,874</u>	<u>10,817,874</u>	<u>(170,627)</u>
6,622,184	7,051,711	7,051,711	429,527
2,733,310	3,136,632	3,136,632	403,322
525,313	547,500	547,500	22,187
1,200,651	1,200,805	1,200,805	154
<u>11,081,458</u>	<u>11,936,648</u>	<u>11,936,648</u>	<u>855,190</u>
(92,957)	(1,118,774)	(1,118,774)	(1,025,817)
800	0	0	800
(92,157)	(1,118,774)	(1,118,774)	(1,025,017)
<u>1,729,982</u>	<u>1,894,613</u>	<u>1,894,613</u>	<u>164,631</u>
<u>1,637,825</u>	<u>775,839</u>	<u>775,839</u>	<u>(860,386)</u>

UNION COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types		
	Cash Basis	Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 10,498,158	176,092	10,674,250
Expenditures	10,560,057	185,041	10,745,098
Net	(61,899)	(8,949)	(70,848)
Other financing sources	1,600	193,990	1,600
Beginning fund balances	1,691,995	225,090	1,917,085
Ending fund balances	\$ 1,631,696	410,131	1,847,837

	Proprietary Fund Type		
	Cash Basis	Enterprise	
		Adjust- ments	Accrual Basis
Revenues	\$ 490,343	4,591	494,934
Expenditures	521,401	12,056	533,457
Net	(31,058)	(7,465)	(38,523)
Other financing sources	(800)	19,521	(800)
Beginning fund balances	37,987	79,464	117,451
Ending fund balances	\$ 6,129	91,520	78,128

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard 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 except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

UNION COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2005

	Special Revenue Funds			
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
<b>ASSETS</b>				
Cash and pooled investments	\$ 68,091	203,904	152,060	424,055
Receivables:				
Property tax				
Delinquent	3,200	0	1,605	4,805
Succeeding year	170,000	0	92,051	262,051
Accounts	0	7,916	0	7,916
<b>TOTAL ASSETS</b>	<b>\$ 241,291</b>	<b>211,820</b>	<b>245,716</b>	<b>698,827</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 20	3,692	0	3,712
Deferred revenue - succeeding year property tax	170,000	0	92,051	262,051
<b>Total Liabilities</b>	<b>170,020</b>	<b>3,692</b>	<b>92,051</b>	<b>265,763</b>
<b>Fund Equity:</b>				
Unreserved fund balances	71,271	208,128	153,665	433,064
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 241,291</b>	<b>211,820</b>	<b>245,716</b>	<b>698,827</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 OTHER NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds					Total
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 179,018	0	90,046	269,064	0	269,064
Other	1,692	318,948	1,844	322,484	0	322,484
State sources	160	0	81	241	0	241
<b>TOTAL REVENUES</b>	<b>180,870</b>	<b>318,948</b>	<b>91,971</b>	<b>591,789</b>	<b>0</b>	<b>591,789</b>
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	75,290	0	12,052	87,342	0	87,342
Other instruction	0	288,275	0	288,275	0	288,275
Support services:						
Student services	8,006	0	0	8,006	0	8,006
Administration services	34,052	0	1,674	35,726	0	35,726
Operation and maintenance of plant services	35,393	0	13,036	48,429	0	48,429
Transportation services	23,801	0	3,950	27,751	0	27,751
Other expenditures:						
Facilities acquisitions	0	0	3,020	3,020	0	3,020
Long-term debt:						
Principal	0	0	0	0	725,000	725,000
Interest and fiscal charges	0	0	0	0	95,673	95,673
<b>TOTAL EXPENDITURES</b>	<b>176,542</b>	<b>288,275</b>	<b>33,732</b>	<b>498,549</b>	<b>820,673</b>	<b>1,319,222</b>
Excess(deficiency) of revenues over(under) expenditures	4,328	30,673	58,239	93,240	(820,673)	(727,433)
OTHER FINANCING SOURCES(USES):						
Transfer in	0	0	0	0	820,673	820,673
Transfer out	0	(32,931)	0	(32,931)	0	(32,931)
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>0</b>	<b>(32,931)</b>	<b>0</b>	<b>(32,931)</b>	<b>820,673</b>	<b>787,742</b>
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	4,328	(2,258)	58,239	60,309	0	60,309
<b>FUND BALANCES BEGINNING OF YEAR</b>	<b>66,943</b>	<b>210,386</b>	<b>95,426</b>	<b>372,755</b>	<b>0</b>	<b>372,755</b>
<b>FUND BALANCES END OF YEAR</b>	<b>\$ 71,271</b>	<b>208,128</b>	<b>153,665</b>	<b>433,064</b>	<b>0</b>	<b>433,064</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Band Uniforms	\$ 1,897	23	514	1,406
HS Band	0	3,608	3,608	0
MS Band	905	0	0	905
Choir	1,851	7,122	6,484	2,489
Band Uniforms Fees	2,139	197	647	1,689
Choir Robes	3,199	683	932	2,950
Annual 2005	0	10,375	5,400	4,975
Memory Book	3,241	1,070	0	4,311
Annual 2004	0	4,878	4,878	0
Drama	7,154	5,878	5,862	7,170
LPC Elem Operetta	120	0	120	0
Elem - LPC Art Show	419	15	0	434
Music Activity	831	0	0	831
Speech	0	6,111	6,111	0
Variety Show	249	0	0	249
<u>High School Athletics:</u>				
Cross Country	0	1,214	1,214	0
Boys Basketball	3,926	5,274	5,975	3,225
Football	2,087	22,564	18,903	5,748
Booster Club	28,442	29,913	26,817	31,538
Baseball	0	3,578	3,578	0
Boys Track	0	1,371	981	390
Boys Soccer	615	1,464	1,244	835
Boys Tennis	0	68	68	0
Boys Golf	0	1,680	1,680	0
Wrestling	1,500	3,403	3,207	1,696
Girls Basketball	3,576	3,656	3,671	3,561
Volleyball	2,426	5,145	4,387	3,184
Softball	436	4,086	3,790	732
Girls Track	0	2,112	2,112	0
Girls Tennis	0	68	68	0
Girls Golf	0	787	787	0
Girls Soccer	0	3,024	3,024	0
General Athletics	0	4,437	4,437	0
<u>Middle School Athletics:</u>				
Boys Basketball	0	782	782	0
Football	0	3,700	3,700	0
Baseball	0	941	941	0
Boys Track	0	977	977	0
Wrestling	0	211	211	0
Girls Basketball	0	960	960	0
Softball	0	1,248	1,248	0
Girls Track	0	399	399	0
Volleyball	0	669	669	0
General Athletics	9,959	856	147	10,668

UNION COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Towels	18,904	6,100	25,004	0
Elem - DG	3,196	9,212	10,526	1,882
Elem - LPC	959	4,925	4,589	1,295
FFA	589	19,649	15,314	4,924
Art Club	3,752	1,179	2,777	2,154
HS Dance Squad	150	1,961	1,727	384
<u>Classes:</u>				
Class of 2004	2,639	(2,639)	0	0
Class of 2005	1,310	852	614	1,548
Class of 2006	3,161	6,369	7,242	2,288
Class of 2007	3,213	53	0	3,266
Class of 2008	2,770	71	0	2,841
Class of 2009	2,306	1,041	0	3,347
Class of 2010	1,160	1,054	0	2,214
Class of 2011	0	1,098	0	1,098
Math Club	197	0	0	197
National Honor Society	0	78	78	0
HS Cheerleaders	323	3,635	3,958	0
MS Dance Team	0	1,066	1,066	0
MS Cheerleaders	58	986	1,044	0
Student Council - DG	612	1,491	1,806	297
Student Council - HS	0	1,571	1,232	339
Student Council - MS	8,265	15,278	13,975	9,568
Student Council - LPC	2,564	1,598	1,392	2,770
Concessions	22,443	44,121	43,819	22,745
Candy	2,252	714	0	2,966
Endowment Fund	16,309	2,860	0	19,169
Fruit/Juice Break	6,791	15,662	13,532	8,921
Student Activity	15,047	(2,222)	189	12,636
German Club	592	610	76	1,126
Middle School	3,288	54	0	3,342
Pictures	7,928	0	7,928	0
HS Student Pop	3,507	5,205	6,012	2,700
MS Magazine Sales	0	22,297	22,297	0
Talented and Gifted	1,411	1,285	2,261	435
Adult Education	466	0	0	466
Accrual Adjustments	(748)	7,187	2,215	4,224
Total	\$ 210,386	318,948	321,206	208,128

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS  
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Bowers Estate	\$ 264,336	1,315	0	265,651
Bader Scholarship	2,830	47	201	2,676
Bader Athletic	2,519	43	0	2,562
Nurse Fund	2,234	0	157	2,077
Centennial Scholarship	175	246	250	171
Larson Estate	20,191	346	(158)	20,695
Anders Scholarship	102,234	7,116	101,875	7,475
Anders Estate	376,087	4,982	188,303	192,766
Ellis Jones Scholarship-Pharmacy	0	76,095	0	76,095
Ellis Jones Scholarship-Academic	0	76,095	0	76,095
<b>Total</b>	<b>\$ 770,606</b>	<b>166,285</b>	<b>290,628</b>	<b>646,263</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30			
	2005	2004	2003	2002
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 4,239,101	4,214,060	3,998,682	3,806,385
Tuition	294,161	273,420	260,431	344,673
Other	768,189	754,834	597,520	1,088,496
Intermediate sources	165,078	150,789	141,896	207,641
State sources	5,013,465	4,575,442	4,422,811	4,274,666
Federal sources	194,256	208,315	190,127	145,596
Total	<u>\$ 10,674,250</u>	<u>10,176,860</u>	<u>9,611,467</u>	<u>9,867,457</u>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 4,406,787	4,512,120	4,014,504	3,890,622
Special instruction	1,249,955	1,121,715	1,054,193	1,029,912
Other instruction	1,008,912	963,921	908,157	891,801
Support services:				
Student services	218,384	205,122	164,229	230,005
Instructional staff services	363,933	370,491	356,421	340,609
Administration services	995,038	906,163	828,527	849,475
Operation and maintenance of plant services	757,981	748,422	694,582	637,768
Transportation services	554,188	623,573	557,066	586,088
Non-instructional programs	3,912	0	0	1,280
Other expenditures:				
Facilities acquisition	13,956	61,063	652,634	954,493
Long-term debt:				
Principal	725,000	305,000	256,461	252,275
Interest and other charges	95,673	110,412	121,540	120,589
AEA flowthrough	351,379	368,797	354,393	344,747
Total	<u>\$ 10,745,098</u>	<u>10,296,799</u>	<u>9,962,707</u>	<u>10,129,664</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

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 the  
Union Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Union Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 7, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Union Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05 is a material weakness.

Compliance and Other Matters

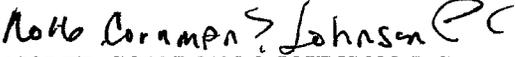
As part of obtaining reasonable assurance about whether Union Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements non-compliance with which could have a direct 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Union Community School District and other parties to Union Community School District may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Union Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

December 7, 2005

UNION COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-05 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - The District should forward any unclaimed property to the Great Iowa Treasure Hunt and remove the outstanding checks over one year.

Response - We will comply.

Conclusion - Response accepted.

I-C-05 Fundraising - We noted during our audit that the District maintains in the Activity Fund a concessions and a fruit break account. These accounts are raising money for no specific purpose and therefore, operating as enterprise funds.

Recommendation - If the District wants to maintain these accounts as an enterprise fund then the revenues and expenditures need to be moved to General Fund where it is allowable. If they want the money to stay in the Activity Fund, then they need to state a specific purpose of what the money is going to be used for within the Activity Fund. This specific purpose also needs to be posted, so the consumer knows what the proceeds are to be used for.

Response - We will display signs at the middle and high school concessions that state that the profits support fine arts, athletics and student organizations. Signs will also be displayed at fruit break which state that the profits support student activities.

Conclusion - Response accepted.

UNION COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

II-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.

II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 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-E-05 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Louis Beck, Teacher Mother owns Breads by Ruth Beck	Supplies	\$1,162
Reta Callahan, Teacher Owns Callahan Catering	Speech Judges Meal	\$667
Nancy McFarland, Bus driver Owns Sunshine Florals	Supplies	\$973
Daughter owns La Porte City Printing & Design	Supplies	\$2,682

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the daughter of Nancy McFarland and mother of Louis Beck do not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with Reta Callahan and Nancy McFarland do not appear to represent a conflict of interest.

II-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-05 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely, but we noted no significant deficiencies in the amounts reported.

Recommendation - The District should submit the Certified Annual Report in a timely manner in the future.

Response - We will make every attempt to certify timely in the future.

Conclusion - Response accepted.