

UNION COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

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Union Community School District

<u>Name</u>	<u>Officials</u> <u>Title</u>	<u>Term</u> <u>Expires</u>
Board of Education (Before September 2008 Election)		
Bart Frush	President	2009
Joe Connolly	Vice President	2008
Dennis McLaughlin	Board Member	2008
Ryan Moody	Board Member	2008
Jim Barz	Board Member	2009
James Bronner	Board Member	2010
Robert Hanson	Board Member	2010

Board of Education (After September 2008 Election)		
Bart Frush	President	2009
Joe Connolly	Vice President	2011
Dennis McLaughlin	Board Member	2011
Ryan Moody	Board Member	2011
Jim Barz	Board Member	2009
James Bronner	Board Member	2009 *
Robert Hanson	Board Member	2011 *

School Officials		
Neil Mullen	Superintendent	2009
Kathy Krug	District Secretary/Treasurer and Busines Manager	2009
Steve Weidner	Attorney	2009

* Board Term extended per the District's transition for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

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Certified Public Accountants
(a professional corporation)
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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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with 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, 2009, 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 March 18, 2010 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 41 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

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We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. 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 five years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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.

March 18, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,583,997 at June 30, 2008 to \$11,362,048 at June 30, 2009, while General Fund expenditures increased from \$10,098,594 at June 30, 2008 to \$11,055,791 at June 30, 2009. This resulted in an increase in the District's General Fund balance from \$421,268 in fiscal 2008 to a balance of \$727,525 in fiscal 2009.
- The increase in General Fund revenues was attributable to an increase in local taxes and state and federal grant revenues in fiscal 2009. The increase in expenditures was due primarily to an increase in the negotiated salary, benefits, and restricted grant expenditures.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of 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 custodian 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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

Figure A-1
Union Community School District Annual Financial Report

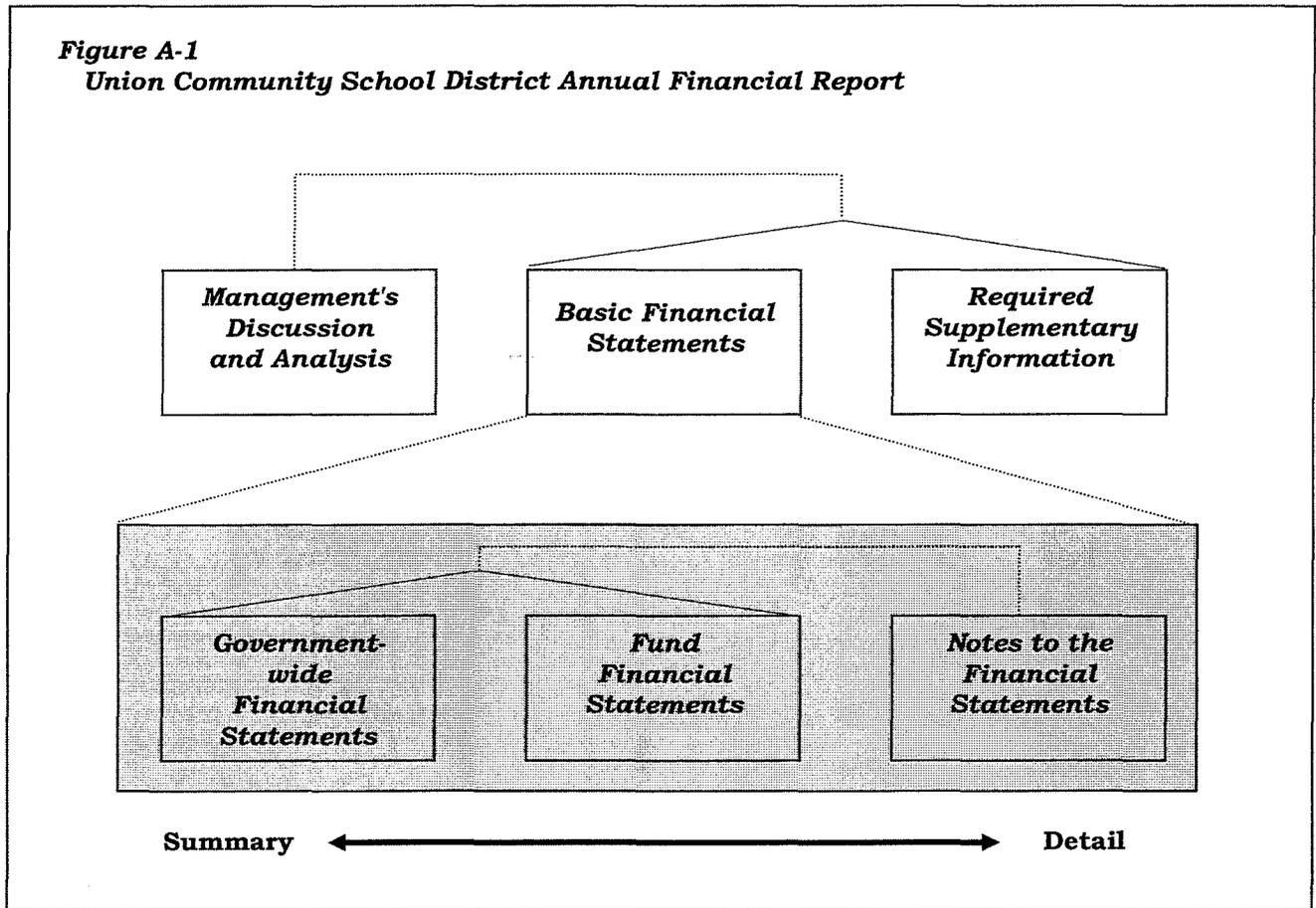


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary 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, e.g., food service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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	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	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
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	All additions and deductions 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 three kinds of funds:

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

The District's governmental funds include the General Fund, 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 one Enterprise Fund, the School Nutrition 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.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trusts and Agency Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total Change
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 10,114,586	9,871,654	43,866	21,492	10,158,452	9,893,146	2.68%
Capital assets	5,812,612	5,556,550	59,565	69,609	5,872,177	5,626,159	4.37%
Total assets	15,927,198	15,428,204	103,431	91,101	16,030,629	15,519,305	3.29%
Long-term obligations	77,412	434,700	0	0	77,412	434,700	-82.19%
Other liabilities	6,594,142	6,620,553	32,249	14,302	6,626,391	6,634,855	-0.13%
Total liabilities	6,671,554	7,055,253	32,249	14,302	6,703,803	7,069,555	-5.17%
Net assets:							
Invested in capital assets, net of related debt	5,812,612	5,216,550	59,565	69,609	5,872,177	5,286,159	11.09%
Restricted	2,411,508	2,428,778	0	0	2,411,508	2,428,778	-0.71%
Unrestricted	1,031,524	727,623	11,617	7,190	1,043,141	734,813	41.96%
Total net assets	\$ 9,255,644	8,372,951	71,182	76,799	9,326,826	8,449,750	10.38%

The District's combined net assets increased 10.38%, or \$877,076, 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 by \$17,270, or 0.71% from the prior year. The decrease was primarily a result the decrease in the Special Revenue, Physical Plant and Equipment Levy Fund.

Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased by \$308,328 or 41.96%, over the prior year. This increase in unrestricted net assets was a result of the increase in the General Fund during the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 836,235	823,652	398,067	362,143	1,234,302	1,185,795	4.09%
Operating grants and contributions and restricted interest	1,702,412	1,387,717	227,820	205,860	1,930,232	1,593,577	21.13%
Capital grants and contributions and restricted interest	2,207	3,274	0	0	2,207	3,274	-32.59%
General revenues:							
Local tax	3,828,250	3,566,563	0	0	3,828,250	3,566,563	7.34%
Income surtax	482,670	478,887	0	0	482,670	478,887	0.79%
Statewide sales and service tax	1,025,149	1,005,756	0	0	1,025,149	1,005,756	1.93%
Unrestricted state grants	5,053,032	4,946,107	0	0	5,053,032	4,946,107	2.16%
Unrestricted interest revenue	98,984	232,819	183	1,026	99,167	233,845	-57.59%
Other general revenue	95,659	83,463	896	0	96,555	83,463	15.69%
Transfers	(10,490)	(7,000)	10,490	7,000	0	0	0.00%
Total revenues and transfers	13,114,108	12,521,238	637,456	576,029	13,751,564	13,097,267	5.00%
Program expenses:							
Governmental activities:							
Instructional	7,824,491	6,875,652	0	0	7,824,491	6,875,652	13.80%
Support services	3,720,918	3,215,476	13,040	10,269	3,733,958	3,225,745	15.75%
Non-instructional programs	3,916	795	630,033	583,252	633,949	584,047	8.54%
Other expenses	682,090	626,819	0	0	682,090	626,819	8.82%
Total expenses	12,231,415	10,718,742	643,073	593,521	12,874,488	11,312,263	13.81%
Change in net assets	882,693	1,802,496	(5,617)	(17,492)	877,076	1,785,004	-50.86%
Net assets beginning of year	8,372,951	6,570,455	76,799	94,291	8,449,750	6,664,746	26.78%
Net assets end of year	\$ 9,255,644	8,372,951	71,182	76,799	9,326,826	8,449,750	10.38%

In fiscal 2009, property tax and unrestricted state grants account for 67.72% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.19% of the revenue from business type activities.

The District's total revenues were \$13,751,564 of which \$13,114,108 was for governmental activities and \$637,456 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.00% increase in revenues and a 13.81% increase in expenditures. The increase in expenses is primarily related to the increases in instructional expenditures during the year.

Governmental Activities

Revenues for governmental activities were \$13,114,108 and expenses were \$12,231,415.

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, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 7,824,491	6,875,652	13.80%	5,811,900	5,088,266	14.22%
Support services	3,720,918	3,215,476	15.72%	3,647,160	3,207,187	13.72%
Non-instructional	3,916	795	392.58%	3,916	795	392.58%
Other expenses	682,090	626,819	8.82%	227,585	207,851	9.49%
Totals	\$ 12,231,415	10,718,742	14.11%	9,690,561	8,504,099	13.95%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$836,235.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,702,412.
- The net cost of governmental activities was financed with \$5,336,069 in local tax, \$5,053,032 in unrestricted state grants, \$98,984 in interest income, and \$95,659 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$637,456 and expenses were \$643,073. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

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 \$3,089,870, above last year's ending fund balances of \$2,839,096. However, the primary reason for the increase in combined fund balances in fiscal 2009 is due to the increase in the General Fund.

Governmental Fund Highlights

The District's improving financial position is the product of many factors:

- The District's improving General Fund financial position from \$421,268 at June 30, 2008 to \$727,525 is the product of many factors. Revenues in local, state, federal sources increased by \$770,771 or 7.29%. Total General Fund expenditures increased by \$957,197 or 9.48%, with the largest increase primarily in expenditures in the instructional functional area, which increased by \$696,628 or 10.53%. Thus, increasing the General Fund balance by \$306,257 or 72.70%.
- The Special Revenue, Management Levy Fund balance increased from \$190,036 at June 30, 2008 to \$296,005 at June 30, 2009. Revenues increased by \$20,051 or 10.07%, while expenditures increased by \$8,228 or 7.84%, ensuring the increase in the fund balance.
- The Special Revenue, Physical Plant and Equipment Levy Fund balance decreased from \$76,135 at June 30, 2008 to \$55,030 at June 30, 2009. Local revenues increased by \$94,096 or 96.17%. Expenditures increased by \$164,392 with the largest increase primarily in the facilities acquisitions, thus decreasing the fund balance by \$21,105 or 27.72%.
- The Capital Projects Fund balance decreased from \$1,527,123 at June 30, 2008 to \$1,525,219 at June 30, 2009. Revenues increased by \$66,339 or 6.25% while expenditures increased by \$50,045 or 4.63% with the largest increase in support services. With expenditures, exceeding revenues ensured the decrease in the fund balance.

Proprietary Funds Highlights

- The School Nutrition Fund net assets decreased from \$76,799 at June 30, 2008 to \$71,182 at June 30, 2009, representing a decrease of 7.31%. Charges for services and other general revenue increased by \$36,820 or 10.17%, expenditures increased by \$49,552 or 8.35%, thus decreasing the fund balance.

BUDGETARY HIGHLIGHTS

The District's revenues were \$184,224 more than budgeted revenues, a variance of 1.32%. The most significant variance resulted from the District receiving more in federal 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, 2009, the District had invested \$5,872,177, 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) There is more detailed information about the District's capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$474,231.

The original cost of the District's capital assets was \$16,170,150. Governmental funds account for \$15,952,033 with the remainder of \$218,117 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$558,490 at June 30, 2008, compared to \$421,928 reported at June 30, 2009.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 53,729	53,729	0	0	53,729	53,729	0.00%
Construction in progress	421,928	558,490	0	0	421,928	558,490	-24.45%
Buildings	4,504,313	4,058,223	0	0	4,504,313	4,058,223	10.99%
Land improvements	83,162	71,723	0	0	83,162	71,723	15.95%
Machinery and equipment	749,480	814,385	59,565	69,609	809,045	883,994	-8.48%
Total	\$ 5,812,612	5,556,550	59,565	69,609	5,872,177	5,626,159	4.37%

Long-Term Debt

At June 30, 2009, the District had \$77,412 in other long-term debt outstanding. This represents a decrease of 82.19% from last year. (See Figure A-7) There is more detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$77,412 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
Revenue bonds	\$ 0	340,000	-100.00%
Note payable	0	90,000	-100.00%
Early retirement	77,412	4,700	1547.06%
Totals	\$ 77,412	434,700	-82.19%

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.

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, 2009

	Primary Government		Component Unit	
	Govern- mental Activities	Business type Activities	Total	Union Community School District Foundation
Assets				
Cash and pooled investments:				
ISCAP	\$ 2,055,665	0	2,055,665	0
Other	3,127,493	28,497	3,155,990	19,696
Receivables:				
Property tax:				
Delinquent	70,641	0	70,641	0
Succeeding year	4,002,182	0	4,002,182	0
Income surtax	430,574	0	430,574	0
Accounts	40,268	788	41,056	0
Accrued ISCAP interest	7,657	0	7,657	0
Due from other governments	380,106	0	380,106	0
Inventories	0	14,581	14,581	0
Capital assets, net of accumulated depreciation	5,812,612	59,565	5,872,177	0
Total Assets	15,927,198	103,431	16,030,629	19,696
Liabilities				
Accounts payable	72,325	21,343	93,668	0
Salaries and benefits payable	443,146	0	443,146	0
ISCAP warrants payable	2,026,000	0	2,026,000	0
ISCAP interest payable	10,953	0	10,953	0
ISCAP unamortized premium	32,453	0	32,453	0
Unearned revenue	0	10,906	10,906	0
Deferred revenue:				
Succeeding year property tax	4,002,182	0	4,002,182	0
Other	7,083	0	7,083	0
Long-term liabilities:				
Portion due within one year:				
Early retirement payable	77,412	0	77,412	0
Total Liabilities	6,671,554	32,249	6,703,803	0
Net Assets				
Invested in capital assets, net of related debt	5,812,612	59,565	5,872,177	0
Restricted for:				
Categorical funding	49,163	0	49,163	0
Capital projects	1,525,219	0	1,525,219	0
Management levy	296,005	0	296,005	0
Physical plant and equipment levy	55,030	0	55,030	0
Other special revenue purposes	486,091	0	486,091	0
Unrestricted	1,031,524	11,617	1,043,141	19,696
Total Net Assets	\$ 9,255,644	71,182	9,326,826	19,696

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		Component Unit	
					Govern- mental Activities	Business Type Activities	Total	Union Community School District Foundation
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 5,064,654	372,149	1,095,350	0	(3,597,355)	0	(3,597,355)	0
Special	1,602,117	0	133,068	0	(1,469,049)	0	(1,469,049)	0
Other	1,157,720	395,171	17,053	0	(745,496)	0	(745,496)	0
	<u>7,824,491</u>	<u>767,320</u>	<u>1,245,271</u>	<u>0</u>	<u>(5,811,900)</u>	<u>0</u>	<u>(5,811,900)</u>	<u>0</u>
Support services:								
Student	316,874	0	0	0	(316,874)	0	(316,874)	0
Instructional staff	337,535	0	0	0	(337,535)	0	(337,535)	0
Administration	1,186,254	0	0	0	(1,186,254)	0	(1,186,254)	0
Operation and maintenance of plant	864,799	0	0	0	(864,799)	0	(864,799)	0
Transportation	1,015,456	68,915	4,843	0	(941,698)	0	(941,698)	0
	<u>3,720,918</u>	<u>68,915</u>	<u>4,843</u>	<u>0</u>	<u>(3,647,160)</u>	<u>0</u>	<u>(3,647,160)</u>	<u>0</u>
Non-instructional programs:								
Food service and other enterprise operations								
	<u>3,916</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,916)</u>	<u>0</u>	<u>(3,916)</u>	<u>0</u>
Other expenditures:								
Facilities acquisitions	4,237	0	0	2,207	(2,030)	0	(2,030)	0
Long-term debt interest	15,983	0	0	0	(15,983)	0	(15,983)	0
BEA flowthrough	452,298	0	452,298	0	0	0	0	0
Depreciation(unallocated)*	209,572	0	0	0	(209,572)	0	(209,572)	0
	<u>682,090</u>	<u>0</u>	<u>452,298</u>	<u>2,207</u>	<u>(227,585)</u>	<u>0</u>	<u>(227,585)</u>	<u>0</u>
Total governmental activities	<u>12,231,415</u>	<u>836,235</u>	<u>1,702,412</u>	<u>2,207</u>	<u>(9,690,561)</u>	<u>0</u>	<u>(9,690,561)</u>	<u>0</u>
Business Type activities:								
Support services:								
Student	1,293	0	0	0	0	(1,293)	(1,293)	0
Administration	2,585	0	0	0	0	(2,585)	(2,585)	0
Operation and maintenance of plant	9,162	0	0	0	0	(9,162)	(9,162)	0
Non-instructional programs:								
Nutrition services	630,033	398,067	227,820	0	0	(4,145)	(4,145)	0
Total business type activities	<u>643,073</u>	<u>398,067</u>	<u>227,820</u>	<u>0</u>	<u>0</u>	<u>(17,196)</u>	<u>(17,196)</u>	<u>0</u>
Total primary government	<u>\$ 12,874,488</u>	<u>1,234,302</u>	<u>1,930,232</u>	<u>2,207</u>	<u>(9,690,561)</u>	<u>(17,186)</u>	<u>(9,707,747)</u>	<u>0</u>
Total component unit	<u>\$ 3,594</u>	<u>0</u>	<u>0</u>					<u>(3,594)</u>
General Revenues and Transfers:								
General Revenues:								
Local tax for:								
General purposes				\$ 3,727,104	0	3,727,104	0	0
Capital outlay				101,146	0	101,146	0	0
Income surtax				482,670	0	482,670	0	0
Statewide sales and services tax				1,025,149	0	1,025,149	0	0
Unrestricted state grants				5,053,032	0	5,053,032	0	0
Unrestricted investment earnings				98,964	163	99,167	645	645
Other general revenue				95,659	896	96,555	0	0
Transfers				(10,490)	10,490	0	0	0
Total general revenues and transfers				<u>10,573,254</u>	<u>11,569</u>	<u>10,584,823</u>	<u>645</u>	<u>645</u>
Changes in net assets				<u>882,693</u>	<u>(5,617)</u>	<u>877,076</u>	<u>(2,949)</u>	<u>(2,949)</u>
Net assets beginning of year				<u>8,372,951</u>	<u>76,799</u>	<u>8,449,750</u>	<u>22,645</u>	<u>22,645</u>
Net assets end of year				<u>\$ 9,255,644</u>	<u>71,182</u>	<u>9,326,826</u>	<u>19,696</u>	<u>19,696</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:				
ISCAP	\$ 2,055,665	0	0	2,055,665
Other	1,020,340	1,266,574	840,579	3,127,493
Receivables:				
Property tax:				
Delinquent	65,033	0	5,608	70,641
Succeeding year	3,684,946	0	317,236	4,002,182
Income surtax	430,574	0	0	430,574
Accounts	34,941	0	5,327	40,268
Accrued ISCAP interest	7,657	0	0	7,657
Due from other governments	121,461	258,645	0	380,106
Total Assets	\$ 7,420,617	1,525,219	1,168,750	10,114,586
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 57,937	0	14,388	72,325
Salaries and benefits payable	443,146	0	0	443,146
ISCAP warrants payable	2,026,000	0	0	2,026,000
ISCAP interest payable	10,953	0	0	10,953
ISCAP unamortized premium	32,453	0	0	32,453
Deferred revenue:				
Succeeding year property tax	3,684,946	0	317,236	4,002,182
Income surtax	430,574	0	0	430,574
Other	7,083	0	0	7,083
Total liabilities	6,693,092	0	331,624	7,024,716
Fund balances:				
Reserved for:				
Categorical Funding	49,163	0	0	49,163
Unreserved	678,362	1,525,219	837,126	3,040,707
Total fund balances	727,525	1,525,219	837,126	3,089,870
Total Liabilities and Fund Balances	\$ 7,420,617	1,525,219	1,168,750	10,114,586

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 16)	\$	3,089,870
 <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.		5,812,612
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		430,574
Long-term liabilities includes early retirement payable, are not due and payable in the current period and, therefore are not reported as liabilities in the governmental funds		<u>(77,412)</u>
Net assets of governmental activities (page 14)	\$	<u>9,255,644</u>

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,989,563	1,025,149	304,205	5,318,917
Tuition	335,516	0	0	335,516
Other	307,590	42,045	386,269	735,904
State sources	6,383,000	0	227	6,383,227
Federal sources	333,882	0	0	333,882
Total revenues	<u>11,349,551</u>	<u>1,067,194</u>	<u>690,701</u>	<u>13,107,446</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,888,438	14,521	57,396	4,960,355
Special	1,602,117	0	0	1,602,117
Other	823,807	0	338,984	1,162,791
	<u>7,314,362</u>	<u>14,521</u>	<u>396,380</u>	<u>7,725,263</u>
Support services:				
Student	318,617	0	0	318,617
Instructional staff	374,923	79,470	0	454,393
Administration	1,146,658	21	23,373	1,170,052
Operation and maintenance of plant	818,431	6,190	55,103	879,724
Transportation	614,542	139,782	52,983	807,307
	<u>3,273,171</u>	<u>225,463</u>	<u>131,459</u>	<u>3,630,093</u>
Non-instructional programs:				
Food service and other enterprise operations	3,801	0	115	3,916
Other expenditures:				
Facilities acquisitions	0	533,078	63,291	596,369
Long-term debt:				
Principal	0	0	430,000	430,000
Interest and fiscal charges	0	0	17,400	17,400
AEA flowthrough	452,298	0	0	452,298
	<u>452,298</u>	<u>533,078</u>	<u>510,691</u>	<u>1,496,067</u>
Total expenditures	<u>11,043,632</u>	<u>773,062</u>	<u>1,038,645</u>	<u>12,855,339</u>
Excess(deficiency)of revenues over(under) expenditures	305,919	294,132	(347,944)	252,107
Other financing sources(uses):				
Transfer in	3,340	61,364	537,400	602,104
Transfer out	(12,159)	(357,400)	(243,035)	(612,594)
Sale of equipment	9,157	0	0	9,157
Total other financing sources(uses)	<u>338</u>	<u>(296,036)</u>	<u>294,365</u>	<u>(1,333)</u>
Net change in fund balances	306,257	(1,904)	(53,579)	250,774
Fund balance beginning of year	421,268	1,527,123	890,705	2,839,096
Fund balance end of year	<u>\$ 727,525</u>	<u>1,525,219</u>	<u>837,126</u>	<u>3,089,870</u>

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, 2009

Net change in fund balances - total governmental funds (page 18) \$ 250,774

*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. Capital outlay expenditures, depreciation expense and loss on the disposal of assets for the year were as follows:

Capital outlay	\$ 955,866	
Depreciation expense	(461,714)	
Loss on the disposal of assets	<u>(238,090)</u>	256,062

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 17,152

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. (72,712)

Early Retirement

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. 430,000

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. 1,417

Changes in net assets of governmental activities (page 15) \$ 882,693

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 28,497
Accounts receivable	788
Inventories	14,581
Capital assets, net of accumulated depreciation	<u>59,565</u>
Total Assets	<u>103,431</u>
Liabilities	
Accounts payable	21,343
Unearned revenue	<u>10,906</u>
Total Liabilities	<u>32,249</u>
Net Assets	
Invested in capital assets	59,565
Unrestricted	<u>11,617</u>
Total Net Assets	<u>\$ 71,182</u>

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 398,067
Other general revenue	896
	398,963
OPERATING EXPENSES:	
Support services:	
Student:	
Services	1,293
Administration:	
Services	2,585
Operation and maintenance of plant:	
Services	9,162
	13,040
Non-instructional programs:	
Food service operations:	
Salaries	174,046
Benefits	113,568
Services	229
Supplies	329,598
Depreciation	12,517
Other	75
	630,033
TOTAL OPERATING EXPENSES	643,073
OPERATING LOSS	(244,110)
NON-OPERATING REVENUES:	
State sources	7,477
Federal sources	220,343
Interest income	183
TOTAL NON-OPERATING REVENUES	228,003
Change in net assets before other financing sources(uses)	(16,107)
OTHER FINANCING SOURCES(USES):	
Transfer in	12,159
Transfer out	(1,669)
TOTAL OTHER FINANCING SOURCES(USES)	10,490
Changes in net assets	(5,617)
Net assets beginning of year	76,799
Net assets end of year	\$ 71,182

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 398,588
Cash received from miscellaneous operating activities	896
Cash payments to employees for services	(287,614)
Cash payments to suppliers for goods or services	(284,269)
Net cash used in operating activities	(172,399)
Cash flows from non-capital financing activities:	
State grants received	7,477
Federal grants received	176,323
Transfer in and out to the General Fund, net	10,490
Net cash provided by non-capital financing activities	194,290
Cash flows from capital financing activities:	
Acquisition of capital assets	(2,473)
Cash flows from investing activities:	
Interest on investment	183
Net increase in cash and cash equivalents	19,601
Cash and cash equivalents at beginning of year	8,896
Cash and cash equivalents at end of year	\$ 28,497
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (244,110)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	44,020
Depreciation	12,517
Increase in inventories	(3,384)
Decrease in accounts receivable	611
Increase in accounts payable	18,037
Decrease in unearned revenue	(90)
Net cash used in operating activities	\$ (172,399)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$44,020.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 194,822	9,242
Liabilities		
Accounts Payable	0	375
Due to other groups	0	8,867
TOTAL LIABILITIES	0	9,242
Net Assets		
Unrestricted	\$ 194,822	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest	\$ 3,631
Deductions:	
Scholarships	10,750
Change in net assets	(7,119)
Net assets beginning of year	201,941
Net assets end of year	\$ 194,822

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
COMPONENT UNIT
JUNE 30, 2009

	<u>Union Community School District Foundation</u>
Assets	
Cash and pooled investments	\$ 19,696
Liabilities	<u>0</u>
Net Assets	
Unrestricted	<u>\$ 19,696</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - CASH BASIS
 COMPONENT UNIT
 YEAR ENDED JUNE 30, 2009

	Union Community School District Foundation
Expenses:	
Administrative services	235
Miscellaneous	3,359
Total expenses	3,594
Operating loss	(3,594)
Non-operating revenue:	
Interest income	645
Changes in net assets	(2,949)
Net assets beginning of year	22,645
Net assets end of year	\$ 19,696

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASHFLOWS
COMPONENT UNIT
YEAR ENDED JUNE 30, 2009

	Union Community School District Foundation
Cash flows from operating activities:	
Cash payments to suppliers for goods or services	(3,594)
Net cash used in operating activities	(3,594)
Cash flows from investing activities:	
Interest on investment	645
Net decrease in cash and cash equivalents	(2,949)
Cash and cash equivalents at beginning of year	22,645
Cash and cash equivalents at end of year	\$ 19,696
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (3,594)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(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.

These financial statements present the Union Community School District (the primary government) and its component unit. The component unit discussed below, is included in the Districts reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit

The Union Community School District Foundation was created to raise money through contributions and fundraisers to benefit the District. The Foundation is a separate legal entity with its own accounting records and board of trustees. The Foundation does not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation is accounted for as a Governmental fund in these financial statements.

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 service.

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

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

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

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

C. Measurement Focus and Basis of Accounting

The government-wide, 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all 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 Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

Capital assets are depreciated using the straight line method 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 are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

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 Balances - 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.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 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.

At June 30, 2009 the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified portfolio	<u>\$ 3,090,695</u>

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

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects, Statewide sales and services tax	\$ 357,400
Debt Service	Special Revenue, Physical Plant and Equipment Levy	90,000
Nutrition Fund	General Fund	12,159
Capital Projects, Athletic Complex	Special Revenue, Student Activity Fund	26,532
Special Revenue, Physical Plant and Equipment Levy	Special Revenue, Support Trust Fund	90,000
Capital Projects, Statewide sales and services tax	Special Revenue, Support Trust Fund	34,832
General Fund	Special Revenue, Student Activity Fund	1,671
General Fund	Nutrition Fund	<u>1,669</u>
Total		<u>\$ 614,263</u>

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

The Capital Projects Fund transferred monies to the Debt Service Fund for the payment of revenue bonds.

The Special Revenue, Physical Plant and Equipment Levy transferred monies to the Debt Service to pay off the remaining note payable.

The General Fund transferred monies to the Nutrition Fund for payroll expenses.

The Nutrition Fund transferred monies to General Fund for expenses for a team nutrition grant and a long-term substitute reimbursement.

The Special Revenue, Student Activity Fund transferred monies to the Capital Projects, Athletic Complex for soil samples and other projects related to the Athletic Complex.

The Special Revenue, Physical Plant and Equipment Levy forgave a loan made to the Special Revenue, Support Trust Fund.

The Special Revenue, Support Trust Fund transferred monies to the Capital Projects, Statewide Sales and Services tax Fund for the purchase of auditorium seats.

The Special Revenue, Student Activity Fund transferred monies to the General Fund for an Adult Education Account.

(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, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/09	1/21/10	\$ 811,269	7,503	801,000	10,534
2009-10A	6/25/10	6/23/10	1,244,396	154	1,225,000	419
Total			<u>\$ 2,055,665</u>	<u>7,657</u>	<u>2,026,000</u>	<u>10,953</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, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09A	\$ 0	350,000	350,000	0

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
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 53,729	0	0	53,729
Construction in progress	558,490	424,705	561,267	421,928
Total capital assets not being depreciated	612,219	424,705	561,267	475,657
Capital assets being depreciated:				
Buildings	8,735,504	696,121	79,566	9,352,059
Land improvements	1,217,780	28,268	0	1,246,048
Machinery and equipment	4,809,961	368,039	299,731	4,878,269
Total capital assets being depreciated	14,763,245	1,092,428	379,297	15,476,376
Less accumulated depreciation for:				
Buildings	4,677,281	192,743	22,278	4,847,746
Land improvements	1,146,057	16,829	0	1,162,886
Machinery and equipment	3,995,576	252,142	118,929	4,128,789
Total accumulated depreciation	9,818,914	461,714	141,207	10,139,421
Total capital assets being depreciated, net	4,944,331	630,714	238,090	5,336,955
Governmental activities capital assets, net	\$ 5,556,550	1,055,419	799,357	5,812,612
Business type activities:				
Machinery and equipment	\$ 215,644	2,473	0	218,117
Less accumulated depreciation	146,035	12,517	0	158,552
Business type activities capital assets, net	\$ 69,609	(10,044)	0	59,565

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular		\$	96,965
Other			19,783
Support services:			
Student			606
Instructional staff			13,121
Operation and maintenance of plant			8,471
Transportation			113,196
			<u>252,142</u>
Unallocated depreciation			<u>209,572</u>
			<u>461,714</u>
Total governmental activities depreciation expense		\$	<u>461,714</u>
Business type activities:			
Food services		\$	<u>12,517</u>

(6) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 340,000	0	340,000	0	0
Notes payable	90,000	0	90,000	0	0
Early retirement	4,700	76,986	4,274	77,412	77,412
Total	<u>\$ 434,700</u>	<u>76,986</u>	<u>434,274</u>	<u>77,412</u>	<u>77,412</u>

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must have been at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees completed an application which was 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, 2009, totaled \$4,274. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual

covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$362,387, \$316,637 and \$288,084 respectively, equal to the required contributions for each year.

(8) 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.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$452,298 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(10) Construction Commitments

The District has entered into various contracts for the Elementary remodel/addition, Elementary tuck-pointing and windows and doors replacement project totaling \$4,841,408. As of June 30, 2009, costs of \$421,928 has been incurred against the contracts. The balance of \$4,419,480 remaining at June 30, 2009 will be paid as work on the project progresses. The total cost of the new windows and doors will be added to the District's fixed asset listing upon completion.

(11) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2009 are as follows:

Project	Amount
At-Risk Supplement	\$ 24,870
Salary Improvement Program	2,314
Educational excellence program - Phase II	2
Professional development for model core curriculum	10,048
Professional development	4,403
Market factor incentives	7,526
Total	<u>\$ 49,163</u>

(12) Other Postemployment Benefits (OPEB)

GASB Statement Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This statement establishes standards for the measurement, recognition, and display of other

postemployment benefits expenses and related liabilities or assets note disclosures, and if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement Number 45 for the year ending June 30, 2010.

OTHER SUPPLEMENTARY INFORMATION

UNION COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Actual
	\$ 6,390,337	399,146	6,789,483	6,902,911	6,902,911	(113,428)
Revenues:	0	0	0	143,732	143,732	(143,732)
Local sources	6,383,227	7,477	6,390,704	6,452,488	6,452,488	(61,784)
Intermediate sources	333,882	220,343	554,225	419,505	419,505	134,720
State sources	13,107,446	626,966	13,734,412	13,918,636	13,918,636	(184,224)
Federal sources						
Total revenues	7,725,263	0	7,725,263	8,530,797	8,530,797	805,534
Expenditures/expenses:	3,630,093	13,040	3,643,133	4,010,951	4,010,951	367,818
Instruction	3,916	630,033	633,949	714,391	714,391	80,442
Support services	1,496,067	0	1,496,067	1,865,383	1,865,383	369,316
Non-instructional programs	12,855,339	643,073	13,498,412	15,121,522	15,121,522	1,623,110
Other expenditures						
Total expenditures/expenses	252,107	(16,107)	236,000	(1,202,886)	(1,202,886)	1,438,886
Excess(deficiency) of revenues over(under) expenditures/expenses	(1,333)	10,490	9,157	15,000	15,000	(5,843)
Other financing sources(uses), net						
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	250,774	(5,617)	245,157	(1,187,886)	(1,187,886)	1,433,043
Balance beginning of year	2,839,096	76,799	2,915,895	2,523,861	2,523,861	392,034
Balance end of year	\$ 3,089,870	71,182	3,161,052	1,335,975	1,335,975	1,825,077

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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 GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides 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 GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue Funds				Total Other Nonmajor Governmental Funds
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Expendable Trust	
Assets					
Cash and pooled investments	\$ 161,603	292,681	63,744	322,551	840,579
Receivables:					
Property tax:					
Delinquent	0	3,747	1,861	0	5,608
Succeeding year	0	210,000	107,236	0	317,236
Accounts	5,327	0	0	0	5,327
Total Assets	\$ 166,930	506,428	172,841	322,551	1,168,750
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 3,390	423	10,575	0	14,388
Deferred revenue:					
Succeeding year property tax	0	210,000	107,236	0	317,236
Total liabilities	3,390	210,423	117,811	0	331,624
Fund Balances:					
Unreserved	163,540	296,005	55,030	322,551	837,126
Total Liabilities and Fund Balances	\$ 166,930	506,428	172,841	322,551	1,168,750

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds					Total	
	Student Activity	Management Levy	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ ---	0	203,059	101,146	0	304,205	0
Other	366,978	15,899	713	2,679	386,269	0	386,269
State sources	0	151	76	0	227	0	227
TOTAL REVENUES	366,978	219,109	101,935	2,679	690,701	0	690,701
EXPENDITURES:							
Current:							
Instruction:							
Regular	0	45,787	11,258	351	57,396	0	57,396
Other	338,984	0	0	0	338,984	0	338,984
Support services:							
Administration	14,690	0	8,683	0	23,373	0	23,373
Operation and maintenance of plant	768	40,283	14,052	0	55,103	0	55,103
Transportation	272	26,955	25,756	0	52,983	0	52,983
Non-instruction:							
Food service operations	0	115	0	0	115	0	115
Other expenditures:							
Facilities acquisitions	0	0	63,291	0	63,291	0	63,291
Long-term debt:							
Principal	0	0	0	0	0	430,000	430,000
Interest and fiscal charges	0	0	0	0	0	17,400	17,400
TOTAL EXPENDITURES	354,714	113,140	123,040	351	591,245	447,400	1,038,645
Excess(deficiency) of revenues over(under) expenditures	12,264	105,969	(21,105)	2,328	99,456	(447,400)	(347,944)
OTHER FINANCING SOURCES(USES):							
Transfer in	0	0	90,000	0	90,000	447,400	537,400
Transfer out	(28,203)	0	(90,000)	(124,832)	(243,035)	0	(243,035)
TOTAL OTHER FINANCING SOURCES(USES)	(28,203)	0	0	(124,832)	(153,035)	447,400	294,365
NET CHANGE IN FUND BALANCES	(15,939)	105,969	(21,105)	(122,504)	(53,579)	0	(53,579)
FUND BALANCES BEGINNING OF YEAR	179,479	190,036	76,135	445,055	890,705	0	890,705
FUND BALANCES END OF YEAR	\$ 163,540	296,005	55,030	322,551	837,126	0	837,126

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Transfers and Expendi- tures	Balance End of Year
Endowment Fund	\$ 25,169	1,363	26,532	0
Student Activity	0	822	822	0
Memory Book	5,519	2,046	2,768	4,797
Choir	0	6,706	6,251	455
Choir Robes	5,766	783	621	5,928
HS Band	659	11,069	11,728	0
Band Uniforms Fees	2,889	593	490	2,992
Band Uniforms	0	467	467	0
MS Band	50	0	49	1
Drama	7,671	6,315	4,825	9,161
Speech	0	6,042	5,139	903
High School General Athletics	0	6,154	6,154	0
Middle School General Athletics	0	11,069	11,069	0
High School Baseball	0	5,102	3,807	1,295
Middle School Baseball	0	405	405	0
High School Softball	1,533	3,609	4,619	523
Middle School Softball	0	988	988	0
High School Boys Basketball	4,694	8,561	9,777	3,478
Middle School Boys Basketball	0	1,984	1,984	0
High School Girls Basketball	5,023	3,968	7,059	1,932
Middle School Girls Basketball	0	2,320	2,320	0
Cross Country	0	3,640	3,640	0
High School Boys Track	0	4,006	4,006	0
Middle School Boys Track	0	1,691	1,691	0
High School Girls Track	0	1,509	1,509	0
Middle School Girls Track	0	3,293	3,293	0
High School Football	661	29,247	26,517	3,391
Middle School Football	0	5,360	5,360	0
Girls Soccer	180	5,557	5,737	0
General Soccer	0	404	404	0
Boys Tennis	0	658	658	0
Boys Golf	0	720	720	0
Girls Tennis	0	326	326	0
Girls Golf	0	670	670	0
High School Volleyball	4,055	9,573	9,751	3,877
Middle School Volleyball	0	1,190	1,190	0
High School Wrestling	3,299	7,066	7,800	2,565
Middle School Wrestling	0	1,219	1,219	0
Candy	1,197	718	0	1,915
High School Concessions	12,025	40,721	41,210	11,536
Middle School Concessions	4,834	11,956	16,790	0
Elem - DG	807	2,287	2,666	428
Fruit/Juice Break	2,019	8,557	8,536	2,040
Elem - LPC Art Show	179	95	53	221
Silver Chord-HS	50	92	100	42
Elem - LPC	1,560	2,604	2,558	1,606
High School Student Pop	7,496	542	2,337	5,701
Student Council - DG	838	2,418	2,535	721
Student Council - HS	276	1,564	1,712	128
Student Council - LPC	827	1,480	1,498	809
Student Council - MS	11,158	3,164	3,499	10,823

UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Transfers and Expendi- tures	Balance End of Year
Annuals-prior years	383	1,877	0	2,260
Annual 2007	40	0	40	0
Annual 2008	8,757	272	9,029	0
Annual 2009	0	11,250	0	11,250
Middle School Cheerleaders	0	1,351	1,351	0
Middle School Dance Squad	0	125	0	125
FFA	12,701	27,354	25,264	14,791
High School Dance Squad	263	3,007	3,189	81
Math Club	197	0	0	197
National Honor Society	0	422	422	0
High School Cheerleaders	0	6,617	6,589	28
Spanish Club	1,203	0	286	917
Art Club	1,546	4,303	1,989	3,860
German Club	3,642	2,817	516	5,943
Class of 2008	1,201	0	1,201	0
Class of 2009	701	0	29	672
Class of 2010	3,493	4,957	5,955	2,495
Class of 2011	3,320	28	300	3,048
Class of 2012	4,463	39	300	4,202
Class of 2013	2,398	1,020	0	3,418
Class of 2014	1,258	1,152	0	2,410
Class of 2015	0	1,425	0	1,425
Booster Club	19,086	31,409	26,756	23,739
Union After prom	3,752	7,913	6,979	4,686
Talented and Gifted	175	550	0	725
Adult Education	466	0	466	0
Magazine sales	0	26,397	26,397	0
Total	\$ 179,479	366,978	382,917	163,540

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures and Transfers	Balance End of Year
Bowers Estate	\$ 280,333	2,099	90,000	192,432
Bader Athletic	2,903	32	0	2,935
Nurse Fund	2,077	0	0	2,077
Larson Estate	23,427	257	0	23,684
Anders Estate	136,315	291	35,183	101,423
 Total	 \$ 445,055	 2,679	 125,183	 322,551

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2009

	Capital Project Funds				
	Statewide Sales and Services Tax	Tama and Benton County Local Option Sales and Services Tax	Athletic Complex/ Land Purchase	Elementary Playground/ Building Fund	Total Capital Projects
ASSETS					
Cash and pooled investments	\$ 394,444	630,837	14,168	227,126	1,266,575
Due from other governments	104,858	153,786	0	0	258,644
TOTAL ASSETS	\$ 499,302	784,623	14,168	227,126	1,525,219
LIABILITIES AND FUND BALANCES					
Liabilities:	\$ 0	0	0	0	0
Fund balances:					
Unreserved	499,302	784,623	14,168	227,126	1,525,219
Total fund balances	499,302	784,623	14,168	227,126	1,525,219
TOTAL LIABILITIES AND FUND BALANCES	\$ 499,302	784,623	14,168	227,126	1,525,219

SEE ACCOMPANYING INDEPENDENT AUDITOR REPORT

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2009

	Capital Project Funds				
	Statewide Sales and Services Tax	Tama and Benton County Local Option Sales and Services Tax	Athletic Complex/ Land Purchase	Elementary Playground/ Building Fund	Total Capital Projects
REVENUES:					
Local sources:					
Local tax	\$ 680,653	344,496	0	0	1,025,149
Other	14,497	0	16	27,532	42,045
Total revenues	695,150	344,496	16	27,532	1,067,194
EXPENDITURES:					
Instruction:					
Regular	0	0	0	14,521	14,521
Support Services:					
Instructional staff	0	79,470	0	0	79,470
Administration	21	0	0	0	21
Operation and maintenance of plant	0	6,190	0	0	6,190
Transportation	0	139,782	0	0	139,782
Other expenditures:					
Facilities acquisitions	463,290	57,408	12,380	0	533,078
Total expenditures	463,311	282,850	12,380	14,521	773,062
Excess(deficiency) of revenues over(under) expenditures	231,839	61,646	(12,364)	13,011	294,132
OTHER FINANCING SOURCES(USES):					
Transfers in	34,832	0	26,532	0	61,364
Transfers out	(357,400)	0	0	0	(357,400)
TOTAL OTHER FINANCING SOURCES(USES)	(322,568)	0	26,532	0	(296,036)
Net change in fund balances	(90,729)	61,646	14,168	13,011	(1,904)
Fund balance beginning year	590,031	722,977	0	214,115	1,527,123
Fund balance end of year	\$ 499,302	784,623	14,168	227,126	1,525,219

SEE ACCOMPANYING INDEPENDENT AUDITOR REPORT

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2009

	Bader Scholarship	Centennial Scholarship	Anders Scholarship	Ellis Jones Scholarship - Pharmacy	Ellis Jones Scholarship - Academic	Total
Assets						
Cash and pooled investments	\$ 1,815	(76)	19,741	87,171	86,171	194,822
Liabilities						
	0	0	0	0	0	0
Net Assets						
Unrestricted	\$ 1,815	(76)	19,741	87,171	86,171	194,822

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2009

	Bader Scholarship	Centennial Scholarship	Anders Scholarship	Ellis Jones Scholarship - Pharmacy	Ellis Jones Scholarship - Academic	Total
Additions:						
Local sources:						
Interest	\$ 20	2	1,711	949	949	3,631
Deductions:						
Scholarships	500	250	9,000	0	1,000	10,750
Changes in net assets	(480)	(248)	(7,289)	949	(51)	(7,119)
Net assets beginning of year	2,295	172	27,030	86,222	86,222	201,941
Net assets end of year	\$ 1,815	(76)	19,741	87,171	86,171	194,822

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOLS DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 0	13,683	4,441	9,242
LIABILITIES				
Accounts payable	\$ 0	375	0	375
Due to other groups	0	13,308	4,441	8,867
	\$ 0	13,683	4,441	9,242

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 SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 5,318,917	4,908,032	4,765,008	4,458,264	4,239,101	4,214,060
Tuition	335,516	323,064	386,344	352,167	294,161	273,420
Other	735,904	838,629	940,087	818,596	768,189	754,834
Intermediate sources	0	162,929	143,732	151,769	165,078	150,789
State sources	6,383,227	5,949,075	5,462,501	5,223,143	5,013,465	4,575,442
Federal sources	333,882	198,118	213,546	191,224	194,256	208,315
Total	<u>\$ 13,107,446</u>	<u>12,379,847</u>	<u>11,911,218</u>	<u>11,195,163</u>	<u>10,674,250</u>	<u>10,176,860</u>
Expenditures:						
Instruction:						
Regular	\$ 4,960,355	4,637,820	4,634,592	4,528,277	4,406,787	4,512,120
Special	1,602,117	1,251,387	1,364,343	1,295,911	1,249,955	1,121,715
Other	1,162,791	1,244,450	1,127,186	1,126,110	1,008,912	963,921
Support services:						
Student	318,617	249,800	238,529	231,459	218,384	205,122
Instructional staff	454,393	365,468	476,019	370,929	363,933	370,491
Administration	1,170,052	1,174,637	1,141,204	1,079,520	995,038	906,163
Operation and maintenance of plant	879,724	798,996	809,692	882,795	757,981	748,422
Transportation	807,307	729,181	758,313	719,310	554,188	623,573
Non-instructional programs	3,916	795	3,571	6,903	3,912	0
Other expenditures:						
Facilities acquisition	596,369	532,857	221,974	60,715	13,956	61,063
Long-term debt:						
Principal	430,000	370,000	325,000	290,000	725,000	305,000
Interest and other charges	17,400	33,650	49,150	63,650	95,673	110,412
AEA flowthrough	452,298	418,968	392,085	367,601	351,379	368,797
Total	<u>\$ 12,855,339</u>	<u>11,808,009</u>	<u>11,541,658</u>	<u>11,023,180</u>	<u>10,745,098</u>	<u>10,296,799</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	\$ 32,320
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	186,207
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 09	316
			<u>218,843</u>
TEAM NUTRITION GRANT	10.574	FY 09	<u>1,500</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 09	<u>70,794</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	<u>2,792</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 09	<u>32,426</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 09	<u>8,184</u>
ARRA - STATE FISCAL STABILIZATION FUNDS (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	<u>103,133</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 09	62,147
ARRA - SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 09	<u>34,564</u>
			<u>96,711</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	<u>9,310</u>
HAWKEYE COMMUNITY COLLEGE: COMPREHENSIVE CENTERS (TECH PREP EDUCATION)	84.243	FY 09	<u>1,653</u>
DEPARTMENT OF HOMELAND SECURITIES:			
PUBLIC ASSISTANCE GRANTS:			
FEMA DISASTER ASSISTANCE	97.036	FY 09	<u>8,879</u>
TOTAL			<u>\$ 554,225</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Union Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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, 2009. Which, collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 18, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Union Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Union Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Union Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Union Community School District's financial statements that is more than inconsequential will not be prevented or detected by Union Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Union Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the

internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Union Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Union Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Union Community School District and other parties to whom 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.

March 18, 2010

NOLTE, CORNMAN & JOHNSON P.C.

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Union Community Schools District:

Compliance

We have audited the compliance of Union Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Union Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Union Community School District's management. Our responsibility is to express an opinion on Union Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Union Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Union Community School District's compliance with those requirements.

In our opinion, Union Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Union Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Union Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Union Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described our conclusions described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described our conclusions described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

Union Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Union Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Union Community School District and other parties to whom 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.


NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2010

UNION COMMUNITY SCHOOLS DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major programs was disclosed by the audit of financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) -
Education State Grants, Recovery Act
 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Union Community School District did not qualify as a low-risk auditee.

UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-09 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 them as soon as possible.

Conclusion - Response accepted.

CONTROL DEFICIENCIES:

II-B-09 Board Policies - We noted during our audit, that the District hasn't implemented a cell phone policy. The policy should address the issues and requirements for employees who utilize District owned cell phones.

Recommendation - The District should review their procedures in place and update or implement the necessary policies.

Response - We will review our procedures and look at implementing a policy in the future.

Conclusion - Response accepted.

II-C-09 Accounts Payable Invoices - During our audit, we noted instances of vendors being paid without having an invoice as supporting documentation.

Recommendation - The District should review its control procedures to ensure that an invoice is obtained as a source documentation prior to the vendor payments.

Response - The District will monitor payments to assure supporting documentation is kept and attached to the check stub of the payments.

Conclusion - Response accepted.

II-D-09 FEMA Grant Revenue - We noted during our audit that the FEMA Grant revenue was inappropriately receipted into miscellaneous income.

Recommendation - The District should review the coding of revenue receipts, to ensure that all revenues for a specific grant or project are properly coded. The source and project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The District will check for source and project codes for all revenue received.

Conclusion - Response accepted.

UNION COMMUNITY SCHOOLS DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

Clustered Programs:

CFDA Number 10.553 - School Breakfast Program

CFDA Number 10.555 - National School Lunch Program

CFDA Number 10.559 - Summer Food Service Program for Children

Federal Award Year: 2009

U.S. Department of Agriculture

Passed through the Iowa Department of Education

CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) -
Education State Grants, Recovery Act

Federal Award Year: 2009

U.S. Department of Education

Passed through the Iowa Department of Education

III-A-09 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 them as soon as possible.

Conclusion - Response accepted.

UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget - District expenditures for the year ended June 30, 2009 did not exceed the certified amounts in the functional areas.

IV-B-09 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.

IV-C-09 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.

IV-D-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mark Albertsen, Principal Father does electrical contracting	Maintenance	\$17
Jim Barz, Board Member Brother owns Barz Electric	Electrical Repair	\$1,111
Angie Bechthold, Teacher Nephew runs DJ service	DJ services	\$975
Louis Beck, Teacher Mother owns Breads by Ruth Beck	Supplies	\$2,336
Kent Folsom, Coach Owns GFK Sports	Supplies	\$178
Nancy McFarland, Bus driver Daughter owns La Porte City Printing & Design	Supplies	\$11,459
Nancy McFarland, Bus driver Owns Sunshine Florals	Supplies	\$1,093
Ryan Moody, Board Member Brother owns Moody Boys Bait Shop	Supplies	\$25
Ryan Moody, Board Member Brother	Fence for Elementary Playground	\$925
Michael Schmidt, Teacher Owns Schmidt Construction	Purchased services	\$393
Rita Eikamp, Teacher Daughter-in-law owns Simply Blooming	Supplies	\$336

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the daughter of Nancy McFarland, the mother of Louis Beck, the daughter-in-law of Rita Eikamp, the nephew of Angie Bechthold, the father of Mark Albertsen, the brother of Ryan Moody and the brother of Jim Barz 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 Kent Folsom, Nancy McFarland and Michael Schmidt do not appear to represent a conflict of interest.

- IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-09 Certified Enrollment - The number of basic enrolled students reported to the Iowa Department of Education on line 2 of the Certified Enrollment Certification Form for October 2008 was overstated by 0.6 students. This resulted in overstating the total actual enrollment at line 7 by 0.6 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District has contacted the Iowa Department of Education and the Department of Management to resolve this matter.

Conclusion - Response accepted.
- IV-H-09 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.
- IV-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-K-09 Statewide Sales and Service Tax - During our audit, there was no instances of non-compliance noted with the use of the statewide sales and services tax revenue provisions Chapter 423F.3 of the Code of Iowa.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales services tax are as follows:

Beginning Balance		\$	0	
Statewide sales and services tax revenue			<u>1,025,149</u>	
Expenditures/transfers out:				
School infrastructures:				
Buildings	\$	\$569,377		
Equipment		\$98,372		
Debt service for school infrastructure:				
Revenue bond debt		<u>357,400</u>	<u>1,025,149</u>	
Ending Balance			<u><u>\$</u></u>	<u>0</u>

IV-L-09 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa requires the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required for the agency fund.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required for record retention.

Response – The District has contacted the financial institution and is receiving the fronts and backs of the cancelled checks.

Conclusion - Response accepted.

IV-M-09 Checks Outstanding - We noted during our audit that the District had checks included in the activity bank reconciliation which have been outstanding for over a year.

Recommendation - The District should research the outstanding checks to determine if they should be reissued, voided, or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District has researched the checks and taken the corrective action required.

Conclusion - Response accepted.