

UNITED COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2009

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United Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Janis Hansen	President	2009
Kathy Toms	Vice President	2010
Carol Reinken	Board Member(Resigned)	2010
Darla Hayworth	Board Member	2008
Matt Swanson	Board Member	2008
Ron Miller	Board Member(Appointed)	2008
Board of Education (After September 2008 Election)		
Janis Hansen	President	2009
Kathy Toms	Vice President	2011 *
Darla Hayworth	Board Member	2011
Matt Swanson	Board Member	2011
Ron Miller	Board Member	2009 *
School Officials		
Dr. Michele Schleuning	Superintendent	2009
Kent Bultman	Board Secretary/ Treasurer	2009
Ahlers & Cooney, P.C.	Attorney	2009

* Board Term altered 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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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
United 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 the United Community School District, Boone, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as 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 United Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2010 on our consideration of United 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 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

presentation of the required supplementary information. 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 United 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 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3, 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 16, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

United 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 \$4,161,409 in fiscal 2008 to \$4,178,574 in fiscal 2009, while General Fund expenditures increased from \$4,245,657 in fiscal 2008 to \$4,556,662 in fiscal 2009. This still resulted in a decrease in the District's General Fund balance from \$1,372,809 in fiscal 2008 to \$994,721 in fiscal 2009, a 27.54% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and federal revenue sources in fiscal 2009. The increase in expenditures was due primarily to an increase in the instruction functional areas.

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 United 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 United 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 United Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the non-major funds.

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

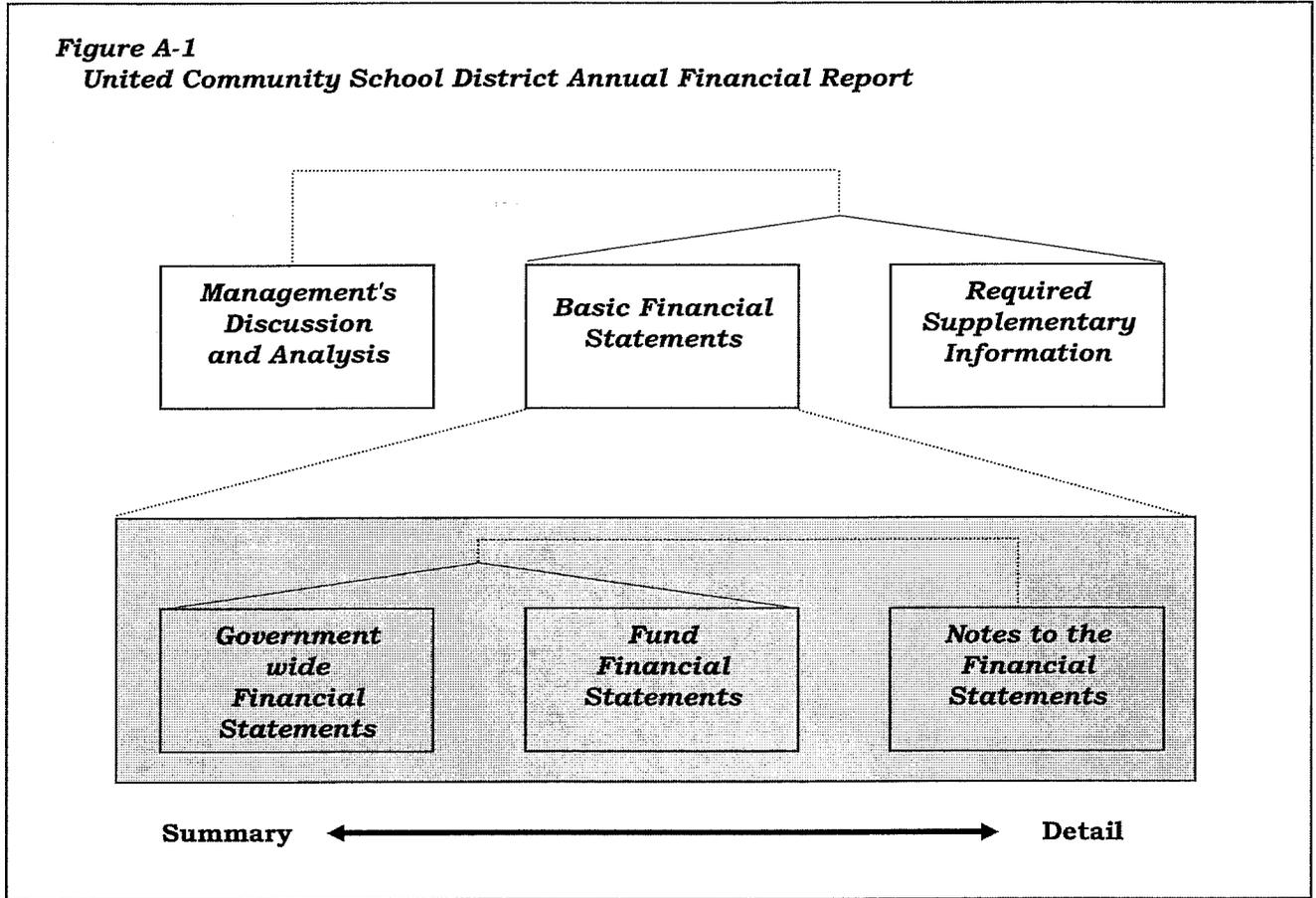


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 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 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 three enterprise funds, the School Nutrition Fund, the School Resale Fund and the Daycare Fund.

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

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

- 3) *Fiduciary Funds:* The District is the trustee, or fiduciary, for assets that belong to others.

These funds include Agency Fund.

- Agency Fund - These are funds for which the District administers and accounts for certain revenues collected for the District's non-public purpose expenditures.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 5,134,001	5,043,452	103,905	108,360	5,237,906	5,151,812	1.67%
Capital assets	1,640,686	1,661,357	41,926	49,617	1,682,612	1,710,974	-1.66%
Total assets	6,774,687	6,704,809	145,831	157,977	6,920,518	6,862,786	0.84%
Long-term obligations	132,060	158,044	0	0	132,060	158,044	-16.44%
Other liabilities	2,103,801	1,906,786	583	1,024	2,104,384	1,907,810	10.30%
Total liabilities	2,235,861	2,064,830	583	1,024	2,236,444	2,065,854	8.26%
Net assets:							
Invested in capital assets, net of related debt	1,640,686	1,661,357	41,926	49,617	1,682,612	1,710,974	-1.66%
Restricted	1,866,177	1,529,452	0	0	1,866,177	1,529,452	22.02%
Unrestricted	1,031,963	1,449,170	103,322	107,336	1,135,285	1,556,506	-27.06%
Total net assets	\$ 4,538,826	4,639,979	145,248	156,953	4,684,074	4,796,932	-2.35%

The District's combined net assets decreased by 2.35%, or \$112,858, from the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets are 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 increased by \$336,725, or 22.02% over the prior year. The increase was primarily a result of the District's increase in fund balances in the Special Revenue, Physical Plant and Equipment Levy Fund and the Capital Projects Fund.

Unrestricted net assets are 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 by decreased \$421,221, or 27.06%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund and Special Revenue, Management Levy Fund balance.

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

Figure A-4
Changes of Net Assets

	Governmental		Business-Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 1,295,911	1,284,489	208,195	164,917	1,504,106	1,449,406	3.77%
Operating grants and contributions and restricted interest	480,991	409,133	77,554	71,949	558,545	481,082	16.10%
General revenues and Transfers:							
Local tax	1,896,142	1,831,984	0	0	1,896,142	1,831,984	3.50%
Income surtax	145,496	120,102	0	0	145,496	120,102	21.14%
Statewide sales and service tax	222,926	215,647	0	0	222,926	215,647	3.38%
Unrestricted state grants	710,643	767,962	0	0	710,643	767,962	-7.46%
Unrestricted interest revenue	25,173	91,312	797	2,625	25,970	93,937	-72.35%
Other	33,055	63,380	635	5,099	33,690	68,479	-50.80%
Total revenues	4,810,337	4,784,009	287,181	244,590	5,097,518	5,028,599	1.37%
Program expenses:							
Governmental activities:							
Instructional	3,433,630	3,251,753	96,792	70,902	3,530,422	3,322,655	6.25%
Support services	1,217,142	1,113,693	0	0	1,217,142	1,113,693	9.29%
Non-instructional programs	0	1,903	202,094	167,539	202,094	169,442	19.27%
Other expenses	260,718	244,126	0	0	260,718	244,126	6.80%
Total Expenditures	4,911,490	4,611,475	298,886	238,441	5,210,376	4,849,916	7.43%
Change in net assets before capital contributions	(101,153)	172,534	(11,705)	6,149	(112,858)	178,683	-163.16%
Capital Contributions	0	(8,625)	0	8,625	0	0	0.00%
Change in net assets	(101,153)	163,909	(11,705)	14,774	(112,858)	178,683	-163.16%
Net assets beginning of year	4,639,979	4,476,070	156,953	142,179	4,796,932	4,618,249	3.87%
Net assets end of year	\$ 4,538,826	4,639,979	145,248	156,953	4,684,074	4,796,932	-2.35%

In fiscal 2009, property tax and unrestricted state grants account for 54.19% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.50% of the revenue from business type activities.

The District's total revenues were \$5,097,518 of which \$4,810,337 was for governmental activities and \$287,181 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.37% increase in revenues and a 7.43% increase in expenses. The increase in expenses was primarily related to an increase in the instructional function.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the increase in property tax monies. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature, and possible mid-year reduction of funding on the part of the state.

The most significant fluctuation in expenditure levels will be caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements.

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs. The District saw an overall greater increase in revenues than the increase in expenditures, demonstrating an increase in the financial position for the year.

Governmental Activities

Revenues for governmental activities were \$4,810,337 and expenses were \$4,911,490. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 3,433,630	3,251,753	5.59%	1,787,364	1,684,497	6.11%
Support services	1,217,142	1,113,693	9.29%	1,212,690	1,109,622	9.29%
Non-instructional	0	1,903	-100.00%	0	1,903	-100.00%
Other expenses	260,718	244,126	6.80%	134,534	121,831	10.43%
Totals	\$ 4,911,490	4,611,475	6.51%	3,134,588	2,917,853	7.43%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$1,295,911.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$480,991.
- The net cost of governmental activities was financed with \$2,264,564 in local tax, \$710,643 in unrestricted state grants, \$25,173 in unrestricted interest revenue, and \$33,055 in other general revenue.

Business type Activities

Revenues of the District's business type activities were \$287,181 and expenses were \$298,886. The District's business type activities include the School Nutrition Fund, the

School Resale, and the Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and interest income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the United 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 balance of \$2,918,352, below last year's ending fund balances of \$3,037,117. However, the primary reason for the decrease in combined fund balances in fiscal 2009 is due to the decrease in the General Fund balance.

Governmental Fund Highlights

The District's stable General Fund financial position is the product of many factors:

- The General Fund balance decreased from \$1,372,809 at June 30, 2008 to \$994,721 at June 30, 2009. Revenues increased by \$17,165 or 0.41%, with the largest increase primarily in the federal revenues. Expenditures increased by \$311,005 or 7.33% with the instructional functional area increasing by \$251,688 or 8.12%. Thus, expenditures exceeding revenues ensured the decrease in the fund balance.
- The Management Fund balance decreased from \$436,310 in fiscal 2008 to \$406,035 in fiscal 2009. While local revenues stayed steady, expenditures increased by \$40,259 or 78.47%.
- The Physical Plant and Equipment Levy Fund balance increased from \$671,946 in fiscal 2008 to \$848,936 in fiscal 2009. Revenues increased by \$7,161 or 2.22% while expenditures decreased by \$124,038 or 44.86% with the largest decrease primarily in the facilities acquisitions area.
- The Capital Projects Fund balance increased from \$556,052 in fiscal 2008 to \$668,391 in fiscal 2009. Local revenue remains steady with last year's level, expenditures increased by \$113,503 primarily due to the installation of air conditioning system.

Proprietary Fund Highlights

The District's stable Proprietary Funds financial position is the product of many factors:

The Proprietary Fund net assets decreased from \$156,953 at June 30, 2008 to \$145,248 at June 30, 2009, representing a decrease of 7.46%.

- The District's Nutrition Fund balance decreased from \$57,866 at June 30, 2009 to \$47,131 at June 30, 2009. Revenues remained steady with last year's revenue with largest increase in federal revenue sources. Expenditures increased by \$20,614 or 14.41%.
- The District's Day Care Fund decreased from \$79,436 at June 30, 2009 to \$77,948 at June 30, 2009. Charges for services increased by \$43,290 or 50.09%. Expenditures increased by \$40,154 or 43.78% with the largest increase in the instructional functional area.

BUDGETARY HIGHLIGHTS

The District's revenues were \$477,190 less than budgeted revenues, a variance of 8.58%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, 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 \$1,682,612 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) This amount represents a net decrease of 1.66% from last year. Additional detailed information about the capital assets, is available in Note 4 to the financial statements. Depreciation expense for the year was \$203,468.
- The original cost of the District's capital assets was \$4,510,500. Governmental funds account for \$4,409,220 with the remainder of \$101,280 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 had a zero balance at June 30, 2008, compared to \$110,439 reported at June 30, 2009. This increase resulted from the from the District's air conditioning project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	2008-09
Land	\$ 30,821	30,821	0	0	30,821	30,821	0.00%
Construction in progress	110,439	0	0	0	110,439	0	100.00%
Buildings and improvements	1,023,770	1,077,473	0	0	1,023,770	1,077,473	-4.98%
Land improvements	240,095	248,686	0	0	240,095	248,686	-3.45%
Machinery and equipment	235,561	304,377	41,926	49,617	277,487	353,994	-21.61%
Total	\$ 1,640,686	1,661,357	41,926	49,617	1,682,612	1,710,974	-1.66%

Long-Term Debt

At June 30, 2009, the District had \$132,060 in long-term debt outstanding. This represents a decrease of 16.44% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding early retirement payable of \$118,882 at June 30, 2009, payable from the Special Revenue, Management Levy Fund.

The District had outstanding compensated absences at June 30, 2009 of \$13,178, payable from the General Fund.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,	June 30,	June 30,
	2009	2008	2008-09
Early retirement	\$ 13,178	18,766	-29.78%
Compensated absences	118,882	139,279	-14.64%
Totals	\$ 132,060	158,045	-16.44%

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 District is nearing the end of a whole grade sharing agreement with Boone Community School District in June 2009.
- The continuing phase out of the budget guarantee is also an issue the District is dealing with.

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 Kent Bultman, Business Manager/Board Secretary, United Community School District, 1284 U Avenue, Boone, Iowa, 50036.

BASIC FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 2,733,409	100,727	2,834,136
Receivables:			
Property tax:			
Delinquent	15,051	0	15,051
Succeeding year	2,046,696	0	2,046,696
Income surtax	111,848	0	111,848
Accounts	1,657	1,001	2,658
Due from other governments	222,579	0	222,579
Prepaid items	2,761	0	2,761
Inventories	0	2,177	2,177
Capital assets, net of accumulated depreciation	1,640,686	41,926	1,682,612
Total Assets	6,774,687	145,831	6,920,518
Liabilities			
Accounts payable	57,105	0	57,105
Deferred revenue:			
Succeeding year property tax	2,046,696	0	2,046,696
Unearned revenue	0	583	583
Long-term liabilities:			
Portion due within one year:			
Compensated absences	13,178	0	13,178
Early retirement payable	32,487	0	32,487
Portion due after one year:			
Early retirement payable	86,395	0	86,395
Total Liabilities	2,235,861	583	2,236,444
Net Assets			
Invested in capital assets	1,640,686	41,926	1,682,612
Restricted for:			
Categorical funding	61,428	0	61,428
Capital projects	668,391	0	668,391
Management levy	287,153	0	287,153
Physical plant and equipment levy	848,936	0	848,936
Other special revenue purposes	269	0	269
Unrestricted	1,031,963	103,322	1,135,285
Total Net Assets	\$ 4,538,826	145,248	4,684,074

SEE NOTES TO FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Governmental activities:						
Instructional:						
Regular	\$ 2,757,878	989,336	301,230	(1,467,312)	0	(1,467,312)
Special	435,250	305,823	49,125	(80,302)	0	(80,302)
Other	240,502	752	0	(239,750)	0	(239,750)
	<u>3,433,630</u>	<u>1,295,911</u>	<u>350,355</u>	<u>(1,787,364)</u>	<u>0</u>	<u>(1,787,364)</u>
Support services:						
Student	96,907	0	0	(96,907)	0	(96,907)
Instructional staff	113,354	0	0	(113,354)	0	(113,354)
Administration	466,347	0	0	(466,347)	0	(466,347)
Operation and maintenance of plant	295,556	0	0	(295,556)	0	(295,556)
Transportation	244,978	0	4,452	(240,526)	0	(240,526)
	<u>1,217,142</u>	<u>0</u>	<u>4,452</u>	<u>(1,212,690)</u>	<u>0</u>	<u>(1,212,690)</u>
Other expenditures:						
Facilities and acquisitions	30,025	0	0	(30,025)	0	(30,025)
AEA flowthrough	126,184	0	126,184	0	0	0
Depreciation(unallocated)*	104,509	0	0	(104,509)	0	(104,509)
	<u>260,718</u>	<u>0</u>	<u>126,184</u>	<u>(134,534)</u>	<u>0</u>	<u>(134,534)</u>
Total governmental activities	4,911,490	1,295,911	480,991	(3,134,588)	0	(3,134,588)
Business Type activities:						
Instructional:						
Daycare activities	96,792	0	0	0	(96,792)	(96,792)
Non-instructional programs:						
Nutrition services	163,639	74,598	77,554	0	(11,487)	(11,487)
Daycare activities	35,074	129,709	0	0	94,635	94,635
Resale activities	3,381	3,888	0	0	507	507
Total noninstructional programs	<u>202,094</u>	<u>208,195</u>	<u>77,554</u>	<u>0</u>	<u>83,655</u>	
Total business type activities	298,886	208,195	77,554	0	(13,137)	(13,137)
Total	\$ 5,210,376	1,504,106	558,545	(3,134,588)	(13,137)	(3,147,725)
General Revenues:						
Local tax for:						
General purposes				\$ 1,572,231	0	1,572,231
Capital outlay				323,911	0	323,911
Income Surtax				145,496	0	145,496
Statewide sales and services tax				222,926	0	222,926
Unrestricted state grants				710,643	0	710,643
Unrestricted investment earnings				25,173	797	25,970
Other				33,055	635	33,690
Total general revenues and transfers				<u>3,033,435</u>	<u>1,432</u>	<u>3,034,867</u>
Changes in net assets				(101,153)	(11,705)	(112,858)
Net assets beginning of year				<u>4,639,979</u>	<u>156,953</u>	<u>4,796,932</u>
Net assets end of year				<u>\$ 4,538,826</u>	<u>145,248</u>	<u>4,684,074</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

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

	Major Special Revenue				Nonmajor	
	General	Levy	Plant and Equipment Levy	Capital Projects	Special Revenue: Student Activity	Total
Assets						
Cash and pooled investments	\$ 808,521	402,835	843,213	678,571	269	2,733,409
Receivables:						
Property tax:						
Delinquent	12,114	439	2,498	0	0	15,051
Succeeding year	1,659,758	48,650	338,288	0	0	2,046,696
Income surtax	111,848	0	0	0	0	111,848
Interfund	0	0	3,225	3,534	0	6,759
Accounts	1,657	0	0	0	0	1,657
Due from other governments	179,188	0	0	43,391	0	222,579
Prepaid items	0	2,761	0	0	0	2,761
Total Assets	\$ 2,773,086	454,685	1,187,224	725,496	269	5,140,760
Liabilities and Fund Balances						
Liabilities:						
Interfund payable	\$ 6,759	0	0	0	0	6,759
Accounts payable	0	0	0	57,105	0	57,105
Deferred revenue:						
Succeeding year property tax	1,659,758	48,650	338,288	0	0	2,046,696
Income surtax	111,848	0	0	0	0	111,848
Total liabilities	<u>1,778,365</u>	<u>48,650</u>	<u>338,288</u>	<u>57,105</u>	<u>0</u>	<u>2,222,408</u>
Fund balances:						
Reserved for:						
Categorical funding	61,428	0	0	0	0	61,428
Unreserved	933,293	406,035	848,936	668,391	269	2,856,924
Total fund balances	<u>994,721</u>	<u>406,035</u>	<u>848,936</u>	<u>668,391</u>	<u>269</u>	<u>2,918,352</u>
Total Liabilities and Fund Balances	\$ 2,773,086	454,685	1,187,224	725,496	269	5,140,760

SEE NOTES TO FINANCIAL STATEMENTS

UNITED 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)	\$	2,918,352
 <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 in the governmental funds.		1,640,686
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		111,848
Long-term liabilities, including early retirement and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(132,060)</u>
Net assets of governmental activities (page 14)	\$	<u><u>4,538,826</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	Major Special Revenue			Nonmajor		Total
	General	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Special Revenue: Student Activity	
REVENUES:						
Local sources:						
Local tax	\$ 1,650,406	55,022	323,911	222,926	0	2,252,265
Tuition	1,285,106	0	0	0	0	1,285,106
Other	51,468	6,268	5,564	4,959	814	69,073
State sources	1,053,580	0	0	0	0	1,053,580
Federal sources	138,014	0	0	0	0	138,014
Total revenues	4,178,574	61,290	329,475	227,885	814	4,798,038
EXPENDITURES:						
Current:						
Instruction:						
Regular	2,681,956	62,795	0	0	0	2,744,751
Special	430,722	0	0	0	0	430,722
Other	239,528	0	0	0	545	240,073
	3,352,206	62,795	0	0	545	3,415,546
Support services:						
Student	96,907	0	0	0	0	96,907
Instructional staff	54,060	0	58,454	0	0	112,514
Administration	452,061	12,228	21,926	0	0	486,215
Operation and maintenance of plant	275,890	8,495	3,878	1,096	0	289,359
Transportation	199,354	8,047	0	0	0	207,401
	1,078,272	28,770	84,258	1,096	0	1,192,396
Other expenditures:						
Facilities acquisitions	0	0	68,227	114,450	0	182,677
AEA flowthrough	126,184	0	0	0	0	126,184
	126,184	0	68,227	114,450	0	308,861
Total expenditures	4,556,662	91,565	152,485	115,546	545	4,916,803
Net change in fund balances	(378,088)	(30,275)	176,990	112,339	269	(118,765)
Fund balance beginning of year	1,372,809	436,310	671,946	556,052	0	3,037,117
Fund balance end of year	\$ 994,721	406,035	848,936	668,391	269	2,918,352

SEE NOTES TO FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2009

Net change in fund balances - total governmental funds(page 18) \$ (118,765)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 175,106	
Depreciation expense	<u>(195,777)</u>	(20,671)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	12,299
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	\$ 5,588	
Compensated absences	<u>20,396</u>	<u>25,984</u>

Changes in net assets of governmental activities(page 15)	<u>\$ (101,153)</u>
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UNITED COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	School Nutrition	Daycare	School Resale	Total
Assets				
Cash and pooled investments	\$ 2,610	77,948	20,169	100,727
Receivables:				
Accounts	1,001	0	0	1,001
Inventories	2,177	0	0	2,177
Capital assets, net of accumulated depreciation	41,926	0	0	41,926
Total Assets	47,714	77,948	20,169	145,831
Liabilities				
Unearned revenues	583	0	0	583
Total Liabilities	583	0	0	583
Net Assets				
Invested in capital assets	41,926	0	0	41,926
Unrestricted	5,205	77,948	20,169	103,322
Total Net Assets	\$ 47,131	77,948	20,169	145,248

SEE NOTES TO FINANCIAL STATEMENTS

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

	School Nutrition	Daycare	School Resale	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 74,598	129,709	3,888	208,195
Other local revenue	635	0	0	635
TOTAL OPERATING REVENUES	75,233	129,709	3,888	208,830
OPERATING EXPENSES:				
Instructional programs:				
Other:				
Salaries	0	52,088	0	52,088
Benefits	0	29,889	0	29,889
Supplies	0	14,625	0	14,625
Other	0	190	0	190
	0	96,792	0	96,792
Non-instructional programs:				
Salaries	50,974	27,808	0	78,782
Benefits	22,654	5,648	0	28,302
Services	233	37	0	270
Supplies	82,087	1,581	3,381	87,049
Depreciation	7,691	0	0	7,691
	163,639	35,074	3,381	202,094
TOTAL OPERATING EXPENSES	163,639	131,866	3,381	298,886
OPERATING INCOME (LOSS)	(88,406)	(2,157)	507	(90,056)
NON-OPERATING REVENUES:				
State sources	1,890	0	0	1,890
Federal sources	75,664	0	0	75,664
Interest income	117	669	11	797
TOTAL NON-OPERATING REVENUES	77,671	669	11	78,351
Change in net assets	(10,735)	(1,488)	518	(11,705)
Net assets beginning of year	57,866	79,436	19,651	156,953
Net assets end of year	\$ 47,131	77,948	20,169	145,248

SEE NOTES TO FINANCIAL STATEMENTS

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

	School Nutrition	Daycare	School Resale	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 73,354	0	0	73,354
Cash received from miscellaneous	635	131,737	3,888	136,260
Cash payments to employees for services	(73,628)	(115,433)	0	(189,061)
Cash payments to suppliers for goods or services	(69,332)	(16,433)	(3,381)	(89,146)
Net cash provided by (used in) operating activities	(68,971)	(129)	507	(68,593)
Cash flows from non-capital financing activities:				
State grants received	1,890	0	0	1,890
Federal grants received	63,038	0	0	63,038
Net cash provided by (used in) non-capital financing activities	64,928	0	0	64,928
Cash flows from investing activities:				
Interest on investments	117	669	11	797
Net increase(decrease) in cash and cash equivalents	(3,926)	540	518	(2,868)
Cash and cash equivalents at beginning of year	6,536	77,408	19,651	103,595
Cash and cash equivalents at end of year	\$ 2,610	77,948	20,169	100,727
Reconciliation of operating income(loss) to net cash provided by (used in) operating activities:				
Operating income(loss)	\$ (88,406)	(2,157)	507	(90,056)
Adjustments to reconcile operating income(loss) to net cash provided by (used in) operating activities:				
Commodities consumed	12,626	0	0	12,626
Depreciation	7,691	0	0	7,691
Decrease in inventories	362	0	0	362
Decrease(Increase) in accounts receivable	(803)	2,028	0	1,225
Decrease in unearned revenue	(441)	0	0	(441)
Net cash provided by (used in) operating activities	(68,971)	(129)	507	(68,593)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$12,626.

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2009

	<u>Agency Fund</u>
ASSETS	
Cash and pooled investments	<u>\$ 275</u>
LIABILITIES	
Due to other groups	<u>\$ 275</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

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

The United 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 City of Boone, Iowa, and the predominate agricultural territory in Story and Boone 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, United 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 United Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do 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 Story and Boone Counties Assessors' 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 non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's Non-fiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

Invested in capital assets, consists of capital assets, net of accumulated depreciation..

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The Special Revenue Management Levy Fund is utilized to account for the payment of property insurance, early retirement benefits and unemployment benefits.

The Special Revenue Physical Plant & Equipment Levy (PPEL) Fund is used to account for machinery and equipment expenditures as well as the improvements to capital facilities.

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

The District's proprietary funds are the School Nutrition Fund, School Resale Fund, and the Daycare Fund. The Nutrition fund is used to account for the food service operations of the District. The School Resale Fund is used to account for the resale operations of the District. The

Daycare fund is used to account for the daycare operations of the District.

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

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

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

D. Assets, Liabilities and Fund 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	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital Assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue

consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General 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 by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; 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 as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 2,970</u>

(3) Due From and Due to Other Funds

The detail of interfund receivable and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue Physical Plant and Equipment Levy	General Fund	\$ 3,225
Capital Projects Fund	General Fund	<u>3,534</u>
Total		<u>\$ 6,759</u>

The General Fund is repaying the Special Revenue, Physical Plant and Equipment Levy Funds and the Capital Projects Funds for expenditures that were less than \$500 per individual item.

(4) Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 30,821	0	0	30,821
Construction in progress	0	110,439	0	110,439
Total capital assets not being depreciated	<u>30,821</u>	<u>110,439</u>	<u>0</u>	<u>141,260</u>
Capital assets being depreciated:				
Buildings and improvements	2,201,749	22,876	0	2,224,625
Land improvements	545,883	19,337	0	565,220
Machinery and equipment	1,455,661	22,454	0	1,478,115
Total capital assets being depreciated	<u>4,203,293</u>	<u>64,667</u>	<u>0</u>	<u>4,267,960</u>
Less accumulated depreciation for:				
Buildings and improvements	1,124,276	76,579	0	1,200,855
Land improvements	297,197	27,928	0	325,125
Machinery and equipment	1,151,284	91,270	0	1,242,554
Total accumulated depreciation	<u>2,572,757</u>	<u>195,777</u>	<u>0</u>	<u>2,768,534</u>
Total capital assets being depreciated, net	<u>1,630,536</u>	<u>(131,110)</u>	<u>0</u>	<u>1,499,426</u>
Governmental activities capital assets, net	<u>\$ 1,661,357</u>	<u>(20,671)</u>	<u>0</u>	<u>1,640,686</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 101,280	0	0	101,280
Less accumulated depreciation	51,663	7,691	0	59,354
Business type activities capital assets, net	\$ 49,617	(7,691)	0	41,926

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 28,419
Special	4,528
Other	429

Support services:

Instructional staff	840
Administration	7,885
Operation and maintenance of plant	6,306
Transportation	42,861

Unallocated depreciation

91,268
104,509

Total governmental activities depreciation expense

\$ 195,777

Business type activities:

Food services	\$ 7,691
---------------	----------

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Compensated absences	\$ 18,766	13,178	18,766	13,178	13,178
Early Retirement	139,278	26,682	47,078	118,882	32,487
Total	\$ 158,044	39,860	65,844	132,060	45,665

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of service as a full-time employee. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives for each eligible employee will be based on the employee salary schedule in effect the last year of the

employees employment with the District. The employee will receive 30 percent of the current year's salary less phase money, supplemental pay or extended contract pay. Early retirement expenditures for the year ended June 30, 2009 totaled \$47,078.

(6) 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 covered 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 \$107,504, \$99,814 and \$77,243, respectively, equal to the required contributions for each year.

(7) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2009 were \$290,131.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw.

United 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. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$126,184 for the year ended June 30, 2009 and is recorded in the General Fund

by making a memorandum adjusting entry to the cash basis financial statements.

(9) Construction Commitment

The District has entered into various contracts totaling \$450,687 for the installation of an air conditioning project. As of June 30, 2009, costs of \$110,439 had been incurred against the contracts. The balance of \$340,248 remaining at June 30, 2009 will be paid as work on the project progresses. The total cost of the new addition will be added to the District's fixed asset listing upon completion.

(10) 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
Home school assistance program	\$ 37,523
Dropout and Dropout prevention	14,752
Market Factor	597
Professional Development for Model Core Curriculum	2,380
Professional Development	4,228
Market factor incentives	1,948
Total	<u>\$ 61,428</u>

(11) 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.

REQUIRED SUPPLEMENTARY INFORMATION

UNITED 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 Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,606,444	209,627	3,816,071	4,011,981	4,011,981	(195,910)
State sources	1,053,580	1,890	1,055,470	1,361,928	1,361,928	(306,458)
Federal sources	138,014	75,664	213,678	188,500	188,500	25,178
Total revenues	<u>4,798,038</u>	<u>287,181</u>	<u>5,085,219</u>	<u>5,562,409</u>	<u>5,562,409</u>	<u>(477,190)</u>
Expenditures/expenses:						
Instruction	3,415,546	96,792	3,512,338	3,771,462	3,771,462	259,124
Support services	1,192,396	0	1,192,396	2,779,000	2,779,000	1,586,604
Non-instructional programs	0	202,094	202,094	258,189	258,189	56,095
Other expenditures	308,861	0	308,861	1,154,799	1,154,799	845,938
Total expenditures/expenses	<u>4,916,803</u>	<u>298,886</u>	<u>5,215,689</u>	<u>7,963,450</u>	<u>7,963,450</u>	<u>2,747,761</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(118,765)	(11,705)	(130,470)	(2,401,041)	(2,401,041)	2,270,571
Other financing sources, net	0	0	0	1,000	1,000	(1,000)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(118,765)	(11,705)	(130,470)	(2,400,041)	(2,400,041)	2,269,571
Balance beginning of year	<u>3,037,117</u>	<u>156,953</u>	<u>3,194,070</u>	<u>2,874,789</u>	<u>2,874,789</u>	<u>319,281</u>
Balance end of year	<u>\$ 2,918,352</u>	<u>145,248</u>	<u>3,063,600</u>	<u>474,748</u>	<u>474,748</u>	<u>2,588,852</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. 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

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Student Council	\$ 0	752	545	207
Interest	0	62	0	62
Total	<u>\$ 0</u>	<u>814</u>	<u>545</u>	<u>269</u>

UNITED COMMUNITY SCHOOL 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	\$ 390	2	117	275
LIABILITIES				
Due to other groups	\$ 390	2	117	275

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNITED 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	\$ 2,252,265	2,159,550	2,223,123	2,188,783	2,113,951	2,161,356
Tuition	1,285,106	1,274,648	1,219,202	1,035,103	1,045,940	1,006,027
Other	69,073	164,533	167,903	145,050	75,636	48,305
State sources	1,053,580	1,090,722	1,071,872	1,253,714	1,115,796	990,837
Federal sources	138,014	86,373	92,371	90,716	86,328	94,537
Total	<u>\$ 4,798,038</u>	<u>4,775,826</u>	<u>4,774,471</u>	<u>4,713,366</u>	<u>4,437,651</u>	<u>4,301,062</u>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 2,744,751	2,411,291	2,452,806	2,233,046	2,449,747	2,377,029
Special	430,722	503,640	392,082	467,737	430,068	543,172
Other	240,073	215,471	86,972	108,152	1,960	22,003
Support services:						
Student	96,907	89,024	137,981	126,054	49,587	48,855
Instructional staff	112,514	63,664	18,336	50,248	43,795	72,729
Administration	486,215	474,542	397,150	351,022	347,571	350,298
Operation and maintenance of plant	289,359	255,613	254,876	235,374	215,282	226,266
Transportation	207,401	272,101	166,663	229,511	178,676	224,964
Non-instructional programs						
Food service operations	0	1,903	1,570	1,158	31,503	23,617
Community service operations	0	0	459	1,452	1,032	4,116
Other expenditures:						
Facilities acquisitions	182,677	180,012	240,894	178,190	333,960	163,091
AEA flow-through	126,184	122,295	119,439	117,851	115,415	118,556
Total	<u>\$ 4,916,803</u>	<u>4,589,556</u>	<u>4,269,228</u>	<u>4,099,795</u>	<u>4,198,596</u>	<u>4,174,696</u>

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(a professional corporation)
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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
United 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 United 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 16, 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 United 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 United Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of United 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 United 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 United Community School District's financial statements that is more than inconsequential will not be prevented or detected by United Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by United 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 I-A-09 is a material weakness.

Compliance and Other Matters

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

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.

United Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit United 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 United Community School District and other parties to whom United 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 United 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 PC
NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2010

UNITED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-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 receipts 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 - The District will investigate available alternatives and implement controls where appropriate and feasible.

Conclusion - Response Accepted.

CONTROL DEFICIENCIES:

I-B-09 Board Policies - We noted during our audit, that the District has not implemented a cell phone policy. The policy should address the issues and requirements for employees who utilize District owned cell phones or receive a dollar allowance for their personal cell phones.

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

Response - The District has implement a Land line and Cellular Telephone Usage Policy.

Conclusion - Response Accepted.

UNITED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009 did not exceed the certified amounts in the functional areas.
- II-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.
- II-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.
- II-D-09 Business Transactions - During our audit the following business transactions between the District and District officials or employees were noted.

Name, Title and Business Connection	Transaction Description	Amount
Darrel Buzzell, Bus Driver Spouse makes cakes	Cakes for school function	\$155

In accordance with the Attorney General's opinion, dated November 9, 1976, the above transactions do not appear to represent a conflict of interest.

- II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-09 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.
- II-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.
- II-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.
- II-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-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>222,926</u>
Expenditures/transfers out:		
School infrastructures:		
Buildings	\$ 114,450	
Equipment	<u>1,096</u>	<u>115,546</u>
Ending Balance		<u>\$ 107,380</u>

II-L-09 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows 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.

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 bank and they are sending the fronts and backs of the checks.

Conclusion - Response Accepted.

II-M-09 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2009, the General Fund owes the Special Revenue, Physical Plant and Equipment Fund the amount of \$3,224.85 and the Capital Projects Fund the amount of \$3,533.89 for expenditures less than \$500.

Recommendation - According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Response - The District has repaid the interfund loans.

Conclusion - Response Accepted.