

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

JUNE 30, 2010

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East Union Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education  
(Before September 2009 Election)**

Lynn Kruse	President	2011
Shannon Harper	Vice President	2011
Lois Munden	Board Member	2011
Kenneth Hagen	Board Member	2009
Sarah Long	Board Member	2009

**Board of Education  
(After September 2009 Election)**

Lynn Kruse	President	2011
Shannon Harper	Vice President	2011
Lois Munden	Board Member	2011
Kenneth Hagen	Board Member	2013
Sarah Long	Board Member	2013

School Officials

Dr. Pam Vogel	Superintendent	2010
Kay Vaughn	Co-Board Treasurer	2010
Billie Jo Greene	Business Manager, Board Secretary and Co-Board Treasurer	2010
Brian Gruhn	Attorney	2010
Drew Bracken	Attorney	2010

EAST UNION COMMUNITY SCHOOL DISTRICT

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3050  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
East 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 East Union Community School District, Afton, Iowa, as of and for the year ended June 30, 2010, 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 East Union Community School District at June 30, 2010, 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 14, 2011 on our consideration of East 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, Budgetary Comparison Information and the Schedule of Funding Progress on pages 7 through 15 and 42 through 44 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 an opinion on the financial statements that collectively comprise East 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 six years ended June 30, 2009 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplemental information included in Schedules 1 through 7, 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 PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2011

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

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East 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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$4,825,028 in fiscal 2009 to \$4,770,509 in fiscal 2010, while General Fund expenditures also decreased from \$5,253,940 in fiscal 2009 to \$5,056,876 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from \$764,552 in fiscal 2009 to \$478,185 in fiscal 2010, a 37.46% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state revenue sources in fiscal 2010, along with higher unemployment and the decrease in disposable income becoming a part of everyday life. The decrease in expenditures was due primarily to a decrease in the instructional services.

### **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 East 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 East 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 East Union Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

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

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

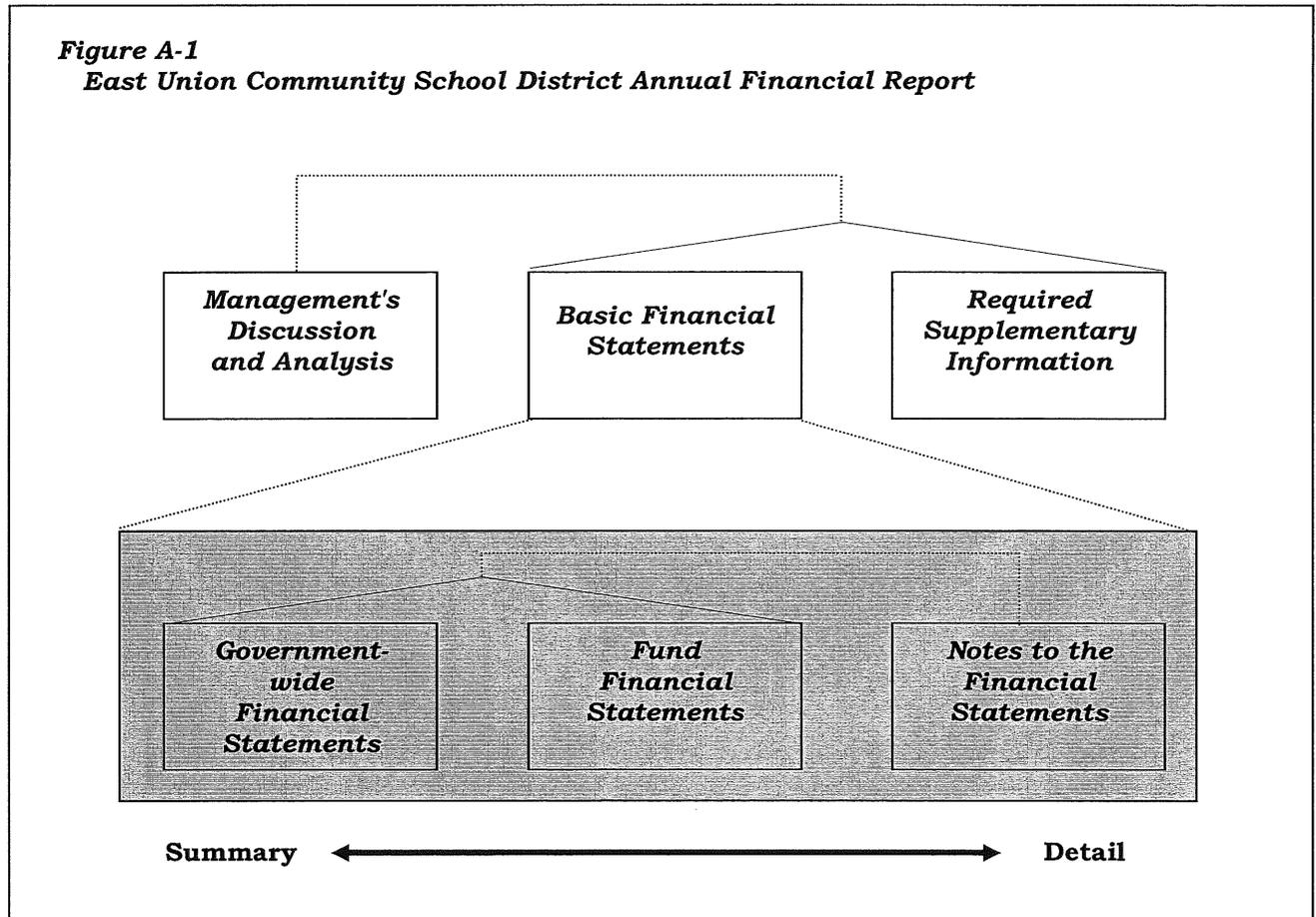


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### Fund Financial Statements

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

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

The District has two kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service 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 revenues, expenses and changes in net assets and a statement of cash flows.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 8,712,407	3,535,810	(34,804)	(13,694)	8,677,603	3,522,116	146.37%
Capital assets	2,638,777	2,509,971	52,760	44,134	2,691,537	2,554,105	5.38%
Total assets	11,351,184	6,045,781	17,956	30,440	11,369,140	6,076,221	87.11%
Long-term obligations	5,860,584	766,146	161	0	5,860,745	766,146	664.96%
Other liabilities	2,336,481	1,940,935	4,547	3,599	2,341,028	1,944,534	20.39%
Total liabilities	8,197,065	2,707,081	4,708	3,599	8,201,773	2,710,680	202.57%
Net assets:							
Invested in capital assets, net of related debt	791,164	1,749,971	52,760	44,134	843,924	1,794,105	-52.96%
Restricted	1,840,952	716,929	0	0	1,840,952	716,929	156.78%
Unrestricted	522,003	871,800	(39,512)	(17,293)	482,491	854,507	-43.54%
Total net assets	\$ 3,154,119	3,338,700	13,248	26,841	3,167,367	3,365,541	-5.89%

The District's combined net assets decreased by 5.89% or \$198,174 from the prior year. A portion of the District's net assets is the invested in capital assets, 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 increased \$1,124,023 or 156.78% from the prior year. The increase was primarily due to the issuance of bonds that occurred during the second half of the fiscal year.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$372,016 or 43.54%. This was due to a substantial increased expenses in the General Fund and Nutrition Fund.

Figure A-4 shows the changes in the District's net assets for the year ended June 30, 2010, compared to June 30, 2009.

	Figure A-4						
	Changes of Net Assets						
	Governmental Activities		Business type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 262,663	354,219	102,810	122,800	365,473	477,019	-23.38%
Operating grants and contributions and restricted interest	1,197,871	984,952	129,293	116,288	1,327,164	1,101,240	20.52%
General revenues:							
Property tax	1,642,620	1,586,146	0	0	1,642,620	1,586,146	3.56%
Statewide sales, services and use tax	433,301	404,390	0	0	433,301	404,390	7.15%
Unrestricted state grants	1,777,782	2,094,266	0	0	1,777,782	2,094,266	-15.11%
Unrestricted investment earnings	5,350	14,077	61	42	5,411	14,119	-61.68%
Other general revenue	144,250	93,857	815	662	145,065	94,519	53.48%
Transfers	(15,126)	(33,764)	15,126	33,764	0	0	0.00%
Total revenues	5,448,711	5,498,143	248,105	273,556	5,696,816	5,771,699	-1.30%
Program expenses:							
Governmental activities:							
Instructional	3,605,315	3,824,362	0	0	3,605,315	3,824,362	-5.73%
Support services	1,565,430	1,543,659	1,529	0	1,566,959	1,543,659	1.51%
Non-instructional programs	0	0	260,169	254,638	260,169	254,638	2.17%
Other expenses	462,547	658,995	0	0	462,547	658,995	-29.81%
Total expenses	5,633,292	6,027,016	261,698	254,638	5,894,990	6,281,654	-6.16%
Changes in net assets	(184,581)	(528,873)	(13,593)	18,918	(198,174)	(509,955)	-61.14%
Net assets beginning of year	3,338,700	3,867,573	26,841	7,923	3,365,541	3,875,496	-13.16%
Net assets end of year	\$ 3,154,119	3,338,700	13,248	26,841	3,167,367	3,365,541	-5.89%

Property tax, statewide sales, services and use tax, and unrestricted state grants account for 70.73% of the total revenue. The District's expenses primarily relate to instruction and support services that account for 91.79% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$5,448,711 and expenses were \$5,633,292. The revenues decreased in the governmental activities by \$49,432 or less than 1% and expenses decreased by \$393,724 or 6.53%.

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

Figure A-5						
Total and Net Cost of Governmental Activities						
Total Cost of Services				Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 3,605,315	3,824,362	-5.73%	2,355,637	2,677,658	-12.03%
Support services	1,565,430	1,543,659	1.41%	1,563,897	1,536,347	1.79%
Other expenses	462,547	658,995	-29.81%	253,224	473,840	-46.56%
Totals	\$ 5,633,292	6,027,016	-6.53%	4,172,758	4,687,845	-10.99%

- The cost financed by users of the District's programs was \$262,663.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,197,871.
- The net cost of governmental activities was financed with \$1,642,620 in property tax, \$433,301 in statewide sales, services and use tax, \$1,777,782 in unrestricted state grants, \$5,350 in interest income and \$129,124 in other general revenue net of transfers.

### Business Type Activities

Revenues of the District's business type activities were \$248,105 and expenses were \$261,698. 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 East 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 balance of \$6,242,868 increased from last year's ending fund balances of \$1,406,365. The primary reason for the increase was the District's issuance of bonds during the year ended June 30, 2010.

### Governmental Fund Highlights

- The District's General Fund balance decreased from \$764,552 on June 30, 2009 to \$478,185 on June 30, 2010. The fluctuation in the District's General Fund financial position is the product of many factors. A decrease in state funding sources revenue during the year resulted in a decrease in total revenues. A decrease in instructional expenditures decreased the total expenditures for the year. However, expenses exceeding revenues ensured the continuing decrease in the District's financial position.
- The Capital Projects fund balance increased during the current year, from \$68,739 in 2009 to \$5,047,474 in 2010. The Capital Projects fund also includes Capital Projects fund for a playground and an elementary building project. The main reason for the increase came from the District issuing both Revenue and General Obligation bonds during the fiscal year.
- The Debt Service fund balance increased from \$346,425 on June 30, 2009 to \$481,038 on June 30, 2010. With very minimal revenues, the fund balance increased due to transfers in from the Capital Projects fund.

## Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$26,841 at June 30, 2009 to \$13,248 at June 30, 2010, representing a decrease of 50.64% or \$13,593.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$528,274 less than budgeted revenues, a variance of 8.46%. The most significant variances 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 not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The district then manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional functional areas due to the timing of expenditures at year end without sufficient time to amend the budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, the District had invested \$2,691,537, 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 increase of 5.38% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$174,243.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30, 2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 14,205	14,205	0	0	14,205	14,205	0.00%
Construction in progress	491,940	267,167	0	0	491,940	267,167	84.13%
Buildings	1,730,729	1,811,477	0	0	1,730,729	1,811,477	-4.46%
Land improvements	94,636	101,681	0	0	94,636	101,681	-6.93%
Machinery and equipment	307,267	315,441	52,760	44,134	360,027	359,575	0.13%
Total	\$ 2,638,777	2,509,971	52,760	44,134	2,691,537	2,554,105	5.38%

The original cost of the District's capital assets was \$5,761,546. Governmental funds accounted for \$5,666,764 with the remainder of \$94,782 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress categories. The construction in progress totaled \$267,167 at June 30, 2009, compared to \$491,940 reported at June 30, 2010. The decrease resulted from the completion of some of the construction of playground equipment and construction of a walking trail made during the current year.

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## Long-Term Debt

At June 30, 2010, the District had long-term debt outstanding of \$5,860,745 in general obligation bonds, revenue bonds, compensated absences and OPEB liability (See Figure A-7). Additional detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

In May 2010, the District's voters authorized the issuance of \$4,065,000 in general obligation bonds to pay for an elementary construction project. As of June 30, 2010 no payments had been made on the bonds and \$125,000 in principal is due next year.

The revenue bonds, which are being paid from the Capital Project Fund, have a balance of \$1,780,000 as of June 30, 2010, of this \$185,000 in principal is due next year.

The District, at year end, had compensated absences of \$5,745, which are payable from the General Fund.

The District had a Net OPEB liability of \$10,000 at year end June 30, 2010.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total	Total	Total
	School District	School District	Change
	June 30,	June 30,	June 30,
	2010	2009	2009-10
General obligation bonds	\$ 4,065,000	0	100.00%
Revenue bonds	1,780,000	760,000	134.21%
Compensated absences	5,745	6,146	-6.52%
Net OPEB liability	10,000	0	100.00%
Total	\$ 5,860,745	766,146	664.96%

## 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:

- Low allowable growth over several years and possible enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget. The District is looking at other financing sources to support the shortfalls from the state.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period which started in fiscal year 2005.

## 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 Billie Jo Greene, Business Manager/District Board Secretary/Treasurer, East Union Community School District, 1916 High School Drive, Afton, Iowa, 50830.

EAST UNION COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

EAST UNION COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,193,010	1,853	6,194,863
Receivables:			
Property tax:			
Delinquent	24,778	0	24,778
Succeeding year	2,015,768	0	2,015,768
Income surtax	183,216	0	183,216
Accounts	41,568	303	41,871
Interfund	41,446	(41,446)	0
Due from other governments	212,621	0	212,621
Inventories	0	4,486	4,486
Capital assets, net of accumulated depreciation	2,638,777	52,760	2,691,537
<b>TOTAL ASSETS</b>	<b>11,351,184</b>	<b>17,956</b>	<b>11,369,140</b>
<b>LIABILITIES</b>			
Accounts payable	200,437	2	200,439
Salaries and benefits payable	20,224	644	20,868
Interest payable	50,157	0	50,157
Deferred revenue:			
Succeeding year property tax	2,015,768	0	2,015,768
Other	49,895	0	49,895
Unearned revenue	0	3,901	3,901
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	125,000	0	125,000
Revenue bonds	185,000	0	185,000
Compensated absences	5,745	0	5,745
Portion due after one year:			
General obligation bonds	3,940,000	0	3,940,000
Revenue bonds	1,595,000		1,595,000
Net OPEB liability	9,839	161	10,000
<b>TOTAL LIABILITIES</b>	<b>8,197,065</b>	<b>4,708</b>	<b>8,201,773</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	791,164	52,760	843,924
Restricted for:			
Debt Service	481,038	0	481,038
Categorical funding	73,657	0	73,657
Capital projects	1,050,087	0	1,050,087
Physical plant and equipment levy	34,721	0	34,721
Management levy	87,603	0	87,603
Other special revenue purposes	113,846	0	113,846
Unrestricted	522,003	(39,512)	482,491
<b>TOTAL NET ASSETS</b>	<b>\$ 3,154,119</b>	<b>13,248</b>	<b>3,167,367</b>

SEE NOTES TO FINANCIAL STATEMENTS

EAST UNION COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, and Restricted Contributions Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,904,346	111,630	652,000	(1,140,716)	0	(1,140,716)
Special	611,120	31,926	86,080	(493,114)	0	(493,114)
Other	1,089,849	119,107	248,935	(721,807)	0	(721,807)
	<u>3,605,315</u>	<u>262,663</u>	<u>987,015</u>	<u>(2,355,637)</u>	<u>0</u>	<u>(2,355,637)</u>
Support services:						
Student	70,382	0	0	(70,382)	0	(70,382)
Instructional staff	108,424	0	0	(108,424)	0	(108,424)
Administration	624,764	0	0	(624,764)	0	(624,764)
Operation and maintenance of plant	373,946	0	0	(373,946)	0	(373,946)
Transportation	387,914	0	1,533	(386,381)	0	(386,381)
	<u>1,565,430</u>	<u>0</u>	<u>1,533</u>	<u>(1,563,897)</u>	<u>0</u>	<u>(1,563,897)</u>
Other expenditures:						
Facilities acquisitions	111,239	0	6,469	(104,770)	0	(104,770)
Long-term debt interest	60,661	0	0	(60,661)	0	(60,661)
AEA flowthrough	202,854	0	202,854	0	0	0
Depreciation (unallocated)*	87,793	0	0	(87,793)	0	(87,793)
	<u>462,547</u>	<u>0</u>	<u>209,323</u>	<u>(253,224)</u>	<u>0</u>	<u>(253,224)</u>
Total governmental activities	5,633,292	262,663	1,197,871	(4,172,758)	0	(4,172,758)
Business Type activities:						
Support services:						
Operation and maintenance of plant	1,529	0	0	0	(1,529)	(1,529)
Non-instructional programs:						
Nutrition services	260,169	102,810	129,293	0	(28,066)	(28,066)
Total business type activities	<u>261,698</u>	<u>102,810</u>	<u>129,293</u>	<u>0</u>	<u>(29,595)</u>	<u>(29,595)</u>
Total	\$ 5,894,990	365,473	1,327,164	(4,172,758)	(29,595)	(4,202,353)
<b>General Revenues and Transfers:</b>						
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,603,299	0	1,603,299
Capital outlay				39,321	0	39,321
Statewide sales, services and use tax				433,301	0	433,301
Unrestricted state grants				1,777,782	0	1,777,782
Unrestricted investment earnings				5,350	61	5,411
Other general revenues				144,250	815	145,065
Transfers				(15,126)	15,126	0
Total general revenues and transfers				<u>3,988,177</u>	<u>16,002</u>	<u>4,004,179</u>
Changes in net assets				(184,581)	(13,593)	(198,174)
Net assets beginning of year				<u>3,338,700</u>	<u>26,841</u>	<u>3,365,541</u>
Net assets end of year				\$ <u>3,154,119</u>	<u>13,248</u>	<u>3,167,367</u>

SEE NOTES TO FINANCIAL STATEMENTS

EAST UNION COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 457,296	5,012,914	481,038	241,762	6,193,010
Receivables:					
Property tax:					
Delinquent	22,509	0	0	2,269	24,778
Succeeding year	1,584,455	0	296,423	134,890	2,015,768
Income surtax	183,216	0	0	0	183,216
Accounts	41,568	0	0	0	41,568
Interfund	41,446	0	0	0	41,446
Due from other governments	138,751	73,870	0	0	212,621
<b>TOTAL ASSETS</b>	<b>\$ 2,469,241</b>	<b>5,086,784</b>	<b>777,461</b>	<b>378,921</b>	<b>8,712,407</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 160,955	39,310	0	172	200,437
Salaries and benefits payable	12,535	0	0	7,689	20,224
Deferred revenue:					
Succeeding year property tax	1,584,455	0	296,423	134,890	2,015,768
Income surtax	183,216	0	0	0	183,216
Other	49,895	0	0	0	49,895
Total liabilities	1,991,056	39,310	296,423	142,751	2,469,540
Fund balances:					
Reserved for:					
Categorical funding	73,657	0	0	0	73,657
Debt service	0	0	481,038	0	481,038
Construction	0	3,997,387	0	0	3,997,387
Unreserved, reported in:					
General fund	404,528	0	0	0	404,528
Special revenue funds	0	0	0	236,170	236,170
Capital projects fund	0	1,050,087	0	0	1,050,087
Total fund balances	478,185	5,047,474	481,038	236,170	6,242,867
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,469,241</b>	<b>5,086,784</b>	<b>777,461</b>	<b>378,921</b>	<b>8,712,407</b>

SEE NOTES TO FINANCIAL STATEMENTS

EAST UNION COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010

<b>Total fund balances of governmental funds (page 20)</b>	\$ 6,242,867
 <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.	2,638,777
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(50,157)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	183,216
Long-term liabilities, including bonds payable and compensated absences and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,860,584)</u>
<b>Net assets of governmental activities (page 18)</b>	<u><u>\$ 3,154,119</u></u>

EAST UNION COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 1,527,104	433,301	0	134,150	2,094,555
Tuition	117,889	0	0	0	117,889
Other	199,618	10,133	302	134,075	344,128
State sources	2,370,396	0	0	0	2,370,396
Federal sources	555,502	0	0	0	555,502
<b>Total revenues</b>	<b>4,770,509</b>	<b>443,434</b>	<b>302</b>	<b>268,225</b>	<b>5,482,470</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	1,897,660	0	0	0	1,897,660
Special	522,788	0	0	86,560	609,348
Other	963,040	0	0	126,387	1,089,427
	<b>3,383,488</b>	<b>0</b>	<b>0</b>	<b>212,947</b>	<b>3,596,435</b>
Support services:					
Student	70,138	0	0	0	70,138
Instructional staff	124,806	14,285	0	0	139,091
Administration	552,450	52,130	1,750	0	606,330
Operation and maintenance of plant	379,495	0	0	0	379,495
Transportation	343,645	0	0	0	343,645
	<b>1,470,534</b>	<b>66,415</b>	<b>1,750</b>	<b>0</b>	<b>1,538,699</b>
Other expenditures:					
Facilities acquisitions	0	305,381	0	45,757	351,138
Long-term debt:					
Principal	0	0	180,000	0	180,000
Interest	0	0	23,843	0	23,843
AEA flowthrough	202,854	0	0	0	202,854
	<b>202,854</b>	<b>305,381</b>	<b>203,843</b>	<b>45,757</b>	<b>757,835</b>
<b>Total expenditures</b>	<b>5,056,876</b>	<b>371,796</b>	<b>205,593</b>	<b>258,704</b>	<b>5,892,969</b>
Deficiency of revenues under expenditures	(286,367)	71,638	(205,291)	9,521	(410,499)
<b>Other financing sources(uses):</b>					
Transfers in	0	0	339,904	0	339,904
Transfers out	0	(339,904)	0	0	(339,904)
General obligation bond issuance	0	4,065,000	0	0	4,065,000
Revenue bond issuance	0	1,200,000	0	0	1,200,000
Premium on issuance of bond	0	67,802	0	0	67,802
Discount on issuance of bond	0	(85,801)	0	0	(85,801)
<b>Total other financing sources(uses)</b>	<b>0</b>	<b>4,907,097</b>	<b>339,904</b>	<b>0</b>	<b>5,247,001</b>
Net change in fund balances	(286,367)	4,978,735	134,613	9,521	4,836,502
Fund balance beginning of year	764,552	68,739	346,425	226,649	1,406,365
Fund balance end of year	\$ 478,185	5,047,474	481,038	236,170	6,242,867

SEE NOTES TO FINANCIAL STATEMENTS

EAST 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, 2010

Net change in fund balances - total governmental funds (page 22) \$ 4,836,502

*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 useful lives as depreciation expense in the Statement of Activities. Depreciation expense, expenditures for capital assets, and loss on the disposal of capital assets in the current year is as follows:

Capital expenditures	\$ 297,987	
Depreciation expense	(168,382)	
Loss on disposal of capital assets	(799)	128,806

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(5,265,000)	
Repaid	180,000	(5,085,000)

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.

(36,818)

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

(18,633)

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 fund.

Compensated absences	\$ 401	
Other postemployment benefits	(9,839)	(9,438)

Changes in net assets of governmental activities (page 19) \$ (184,581)

SEE NOTES TO FINANCIAL STATEMENTS

EAST UNION COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2010

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 1,853
Accounts receivable	303
Inventories	4,486
Capital assets, net of accumulated depreciation	<u>52,760</u>
TOTAL ASSETS	<u>59,402</u>
LIABILITIES	
Accounts payable	2
Salaries and benefits payable	644
Interfund payable	41,446
Unearned revenues	3,901
Net OPEB liability	<u>161</u>
TOTAL LIABILITES	<u>46,154</u>
NET ASSETS	
Invested in capital assets	52,760
Unrestricted	<u>(39,512)</u>
TOTAL NET ASSETS	<u>\$ 13,248</u>

SEE NOTES TO FINANCIAL STATEMENTS

EAST UNION COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2010

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 102,810
Other local revenue	815
TOTAL OPERATING REVENUES	103,625
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Services	1,529
Non-instructional programs:	
Food service operations:	
Salaries	118,108
Benefits	20,865
Supplies	112,952
Other	2,383
Depreciation	5,861
	260,169
TOTAL OPERATING EXPENSES	261,698
OPERATING LOSS	(158,073)
NON-OPERATING REVENUES:	
Interest	61
State sources	2,367
Federal sources	126,926
TOTAL NON-OPERATING REVENUES	129,354
Change in net assets, before capital contributions	(28,719)
Capital Contributions	15,126
Change in net assets	(13,593)
Net assets at beginning of year	26,841
Net assets end of year	\$ 13,248

SEE NOTES TO FINANCIAL STATEMENTS

EAST UNION COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 103,017
Cash received from miscellaneous operating activities	815
Cash payments to employees for services	(138,168)
Cash payments to suppliers for goods or services	(121,574)
Net cash used in operating activities	(155,910)
Cash flows from non-capital financing activities:	
Borrowings from General Fund	41,446
State grants received	2,367
Federal grants received	110,903
Net cash provided by non-capital financing activities	154,716
Cash flows from investing activities:	
Interest on investments	61
Cash flows from capital financing activities:	
Loss on disposal of assets	639
Net increase in cash and cash equivalents	(494)
Cash and cash equivalents at beginning of year	2,347
Cash and cash equivalents at end of year	\$ 1,853
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (158,073)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	16,023
Depreciation	5,861
Increase in inventories	(1,128)
Increase in accounts receivables	(95)
Decrease in accounts payable	(19,605)
Increase in salaries and benefits payable	644
Increase in unearned revenue	302
Increase in other postemployment benefits	161
Net cash used in operating activities	\$ (155,910)

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$16,023.

During the year ended June 30, 2010, the Nutrition Fund received contributed capital of \$15,126 from the Capital Projects.

SEE NOTES TO FINANCIAL STATEMENTS

EAST UNION COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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

The East 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 City of Afton, Iowa, and the predominate agricultural territory in Union, Madison, Ringgold, and Clarke 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, East 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 East Union Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 Union, Madison, Ringgold, and Clarke County 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, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other 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 District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

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

are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, 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 1% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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, intangibles and 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	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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
Improvements other than buildings	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

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

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

Unearned Revenue - 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. A liability for these amounts is reported governmental fund financial statements only for employees that have resigned or retired. 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. During the year ended June 30, 2010, expenditures in the non-instruction functional area exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$5,436,407 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

**(3) Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nutrition Fund	<u>\$ 41,446</u>

Nutrition Fund owes the General Fund for salaries and benefits paid by the General Fund. The balance will be repaid by June 30, 2011.

**(4) Transfers**

The detail of transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 339,904</u>

The Capital Projects Fund transferred monies to the Debt Service Fund for the debt payment of its Revenue Bonds.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2010 is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,205	0	0	14,205
Construction in progress	267,167	224,773	0	491,940
Total capital assets not being depreciated	<u>281,372</u>	<u>224,773</u>	<u>0</u>	<u>506,145</u>
Capital assets being depreciated:				
Buildings	3,842,185	0	0	3,842,185
Land improvements	200,897	0	0	200,897
Machinery and equipment	1,064,292	73,214	19,969	1,117,537
Total capital assets being depreciated	<u>5,107,374</u>	<u>73,214</u>	<u>19,969</u>	<u>5,160,619</u>
Less accumulated depreciation for:				
Buildings	2,030,708	80,748	0	2,111,456
Land improvements	99,216	7,045	0	106,261
Machinery and equipment	748,851	80,589	19,170	810,270
Total accumulated depreciation	<u>2,878,775</u>	<u>168,382</u>	<u>19,170</u>	<u>3,027,987</u>
Total capital assets being depreciated, net	<u>2,228,599</u>	<u>(95,168)</u>	<u>799</u>	<u>2,132,632</u>
Governmental activities capital assets, net	<u>\$ 2,509,971</u>	<u>129,605</u>	<u>799</u>	<u>2,638,777</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 81,451	15,126	1,795	94,782
Less accumulated depreciation	37,317	5,861	1,156	42,022
Business type activities capital assets, net	<u>\$ 44,134</u>	<u>9,265</u>	<u>639</u>	<u>52,760</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instructional:		
Regular		\$ 2,029
Support services:		
Instructional staff		14,200
Operation and maintenance of plant operations		5,093
Transportation		59,267
		<u>80,589</u>
Unallocated depreciation		<u>87,793</u>
Total governmental activities depreciation expense		<u>\$ 168,382</u>
Business type activities:		
Food services		<u>\$ 5,861</u>

#### (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 0	4,065,000	0	4,065,000	125,000
Revenue bonds	760,000	1,200,000	180,000	1,780,000	185,000
Compensated absences	6,146	5,745	6,146	5,745	5,745
Net OPEB liability	0	9,839	0	9,839	0
Total	<u>\$ 766,146</u>	<u>5,280,584</u>	<u>186,146</u>	<u>5,860,584</u>	<u>315,745</u>
Business type activities:					
Net OPEB liability	\$ 0	161	0	161	0

#### General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue May 1, 2010		
		Principal	Interest	Total
2011	4.00	% \$ 125,000	171,423	296,423
2012	4.00	135,000	166,423	301,423
2013	4.00	140,000	161,023	301,023
2014	4.00	145,000	155,423	300,423
2015	4.00	150,000	149,623	299,623
2016-2020	4.00	875,000	651,313	1,526,313
2021-2025	4.0-4.15	1,100,000	458,883	1,558,883
2026-2030	4.3-4.75	1,395,000	200,992	1,595,992
Total		\$ 4,065,000	2,115,100	6,180,100

#### Revenue Bonds

Details of the District's June 30, 2010 revenue bonds indebtedness is as follows:

Year Ending June 30,	Bond issue January 1, 2004		Bond issue February 25, 2010			Total	
	Interest Rates	Principal Interest	Interest Rates	Principal	Interest	Principal	Interest Total
2011	3.40	% \$ 185,000 17,862	-	% \$ -	39,653	185,000	57,515 242,515
2012	3.65	195,000 11,158	-	-	46,650	195,000	57,808 252,808
2013	3.80	200,000 3,800	-	-	46,650	200,000	50,450 250,450
2014	-	-	2.00	50,000	46,150	50,000	46,150 96,150
2015	-	-	2.00	50,000	45,150	50,000	45,150 95,150
2016-2020	-	-	2.00-3.50	250,000	206,438	250,000	206,438 456,438
2021-2025	-	-	3.75-4.30	350,000	153,413	350,000	153,413 503,413
2026-2030	-	-	4.40-4.75	500,000	58,275	500,000	58,275 558,275
Total		\$ 580,000 32,820		1,200,000	642,378	1,780,000	675,198 2,455,198

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,500,000 bonds issued on January 1, 2004 and \$1,200,000 issued on February 25, 2010. The 2004 bonds were issued for the purposes of the construction of a new high school building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2013. The 2010 bonds were issued for the purpose of construction of a new elementary building. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 100% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$2,455,198. For the current year, principal and interest was paid on the bonds of \$206,343, and the statewide sales, services and use tax revenue was \$433,301.

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

- a) \$119,017 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on

the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

**(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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the years ended June 30, 2010, 2009, and 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008, were \$204,457, \$194,357 and \$179,655, respectively, equal to the required contributions for each year.

**(8) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 95 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 30,000
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>30,000</u>
Contributions made	<u>(20,000)</u>
Increase in net OPEB obligation	10,000
Net OPEB obligation beginning of year	0
Net OPEB obligation end of year	<u><u>\$ 10,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$20,000 to the medical plan. Plan members eligible for benefits contributed \$29,000, or 59.2% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 30,000	66.7%	\$10,000

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$252,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$252,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.28 million and the ratio of the UAAL to covered payroll was 11.06%.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future

employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$735 per month for retirees less than age 65 and \$363 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$202,854 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Deficit Net Assets**

The Nutrition Fund had a deficit unrestricted net assets at June 30, 2010 of \$39,512.

**(12) Categorical Funding**

The District's ending balances for categorical funding by project as of the end of the year are as follows:

Project	Amount
Talented and gifted	\$ 67,689
Four-year-old Preschool State Aid	3,276
Community Partnership (Tobacco Settlement)	2,382
Market factor incentives	310
Total	<u>\$ 73,657</u>

**(13) Construction Commitment**

The District has entered into contracts totaling \$593,022 for construction of a new elementary building. As of June 30, 2010, costs of \$204,753 had been incurred against the contracts. The balance of \$388,268 remaining at June 30, 2010 will be paid as work on the project progresses.

**(14) Budget Overexpenditure**

During the year ended June 30, 2010, the District's expenditures in the non-instructional function exceeded the amount budgeted.

EAST UNION COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

EAST 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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
<b>Revenues:</b>						
Local sources	\$ 2,556,572	103,686	2,660,258	2,735,754	2,735,754	(75,496)
State sources	2,370,396	2,367	2,372,763	2,994,969	2,994,969	(622,206)
Federal sources	555,502	126,926	682,428	513,000	513,000	169,428
Total revenues	5,482,470	232,979	5,715,449	6,243,723	6,243,723	(528,274)
<b>Expenditures/Expenses:</b>						
Instruction	3,596,435	0	3,596,435	4,037,307	4,037,307	440,872
Support services	1,538,699	1,529	1,540,228	2,503,650	2,503,650	963,422
Non-instructional programs	0	260,169	260,169	258,022	258,022	(2,147)
Other expenditures	757,835	0	757,835	983,692	1,533,692	775,857
Total expenditures/expenses	5,892,969	261,698	6,154,667	7,782,671	8,332,671	2,178,004
Excess(deficiency) of revenues over(under) expenditures/expenses	(410,499)	(28,719)	(439,218)	(1,538,948)	(2,088,948)	1,649,730
Other financing sources, net	5,247,001	15,126	5,262,127	0	0	5,262,127
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	4,836,502	(13,593)	4,822,909	(1,538,948)	(2,088,948)	6,911,857
Balance beginning of year	1,406,365	26,841	1,433,206	1,538,948	1,538,948	(105,742)
Balance end of year	\$ 6,242,867	13,248	6,256,115	0	(550,000)	6,806,115

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST UNION COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2010

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. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$550,000.

During the year ended June 30, 2010, expenditures in the non-instructional programs function exceeded the amounts budgeted.

EAST UNION COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN (IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 252	252	0.0%	\$ 2,280	11.06%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

EAST UNION COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2010

	Special Revenue Funds			
	Student Activity	Manage- ment Levy	Physical Plant & Equipment Levy	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 116,560	89,950	35,252	241,762
Receivables:				
Property tax:				
Delinquent	0	1,604	665	2,269
Succeeding year	0	95,000	39,890	134,890
<b>TOTAL ASSETS</b>	<b>\$ 116,560</b>	<b>186,554</b>	<b>75,807</b>	<b>378,921</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Salaries payable	\$ 172	0	0	172
Accounts payable	2,542	3,951	1,196	7,689
Deferred revenue:				
Succeeding year property tax	0	95,000	39,890	134,890
	<u>2,714</u>	<u>98,951</u>	<u>41,086</u>	<u>142,751</u>
Fund balances:				
Unreserved	113,846	87,603	34,721	236,170
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 116,560</b>	<b>186,554</b>	<b>75,807</b>	<b>378,921</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST UNION COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2010

	Special Revenue Funds			
	Student Activity	Manage- ment Levy	Physical Plant & Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 0	94,829	39,321	134,150
Other	124,892	9,183	0	134,075
TOTAL REVENUES	124,892	104,012	39,321	268,225
EXPENDITURES:				
Current:				
Instruction:				
Special	0	86,560	0	86,560
Other	124,707	1,680	0	126,387
Other expenditures:				
Facilities acquisitions	0	0	45,757	45,757
TOTAL EXPENDITURES	124,707	88,240	45,757	258,704
Net changes in fund balances	185	15,772	(6,436)	9,521
Fund balance beginning of year	113,661	71,831	41,157	226,649
Fund balance end of year	\$ 113,846	87,603	34,721	236,170

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST UNION COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
MS boys basketball	\$ 822	224	171	875
MS football	1,123	0	212	911
MS baseball	489	0	0	489
MS boys track	537	0	0	537
MS wrestling	699	0	0	699
MS girls basketball	1,078	224	221	1,081
MS volleyball	536	0	0	536
MS softball	1,181	525	629	1,077
MS girls track	511	0	0	511
MS student council	4,110	4,167	2,935	5,342
Drama	4,558	2,493	3,099	3,952
Vocal music	15,442	8,545	10,147	13,840
Instrumental music	382	7,563	5,542	2,403
HS golf	0	2,254	336	1,918
HS boys basketball	1,562	0	173	1,389
HS football	2,704	1,376	2,211	1,869
HS baseball	768	189	208	749
HS boys track	813	1,009	1,064	758
HS boys golf	1,008	0	1,008	0
Weight room	1,281	0	136	1,145
HS wrestling	1,027	575	780	822
HS girls basketball	2,428	946	835	2,539
HS volleyball	1,889	1,895	1,936	1,848
HS softball	1,227	588	728	1,087
HS girls track	1,692	1,952	1,633	2,011
HS girls golf	1,176	0	1,176	0
General athletics	33,297	36,144	30,652	38,789
Cheerleaders	2,028	2,463	2,326	2,165
Class of 2010	8,290	4,553	12,843	0
Class of 2011	2,421	15,980	11,286	7,115
Class of 2012	103	0	73	30
Class of 2013	0	229	1	228
Concessions	2,040	692	613	2,119
FFA	5,474	12,247	12,875	4,846
FCCLA	1,262	3,474	4,284	452
Now account interest	0	36	36	0
National honor society	39	70	70	39
2009 yearbook	4,640	160	4,800	0
Science club	2,206	561	736	2,031
Spanish club	1,290	3,206	3,177	1,319
Student council	1,353	982	1,884	451
Vocational agriculture	175	0	0	175
2010 yearbook	0	9,570	3,871	5,699
Total	\$ 113,661	124,892	124,707	113,846

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST UNION COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2010

	Elementary Capital Projects	Statewide Sales, Services and Use Tax	Playground Capital Projects	Total Capital Projects Funds
<b>ASSETS</b>				
Cash and pooled investments	\$ 3,991,469	1,013,546	7,899	5,012,914
Due from other governments	0	73,870	0	73,870
<b>TOTAL ASSETS</b>	<b>\$ 3,991,469</b>	<b>1,087,416</b>	<b>7,899</b>	<b>5,086,784</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 0	37,329	1,981	39,310
Fund balances:				
Unreserved	3,991,469	1,050,087	5,918	5,047,474
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,991,469</b>	<b>1,087,416</b>	<b>7,899</b>	<b>5,086,784</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST UNION COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2010

	Elementary Capital Projects	Statewide Sales, Services and Use Tax	Playground Capital Projects	Total Capital Projects Funds
REVENUES:				
Local sources:				
Local tax	\$ 0	433,301	0	433,301
Other	3,095	569	6,469	10,133
TOTAL REVENUES	3,095	433,870	6,469	443,434
EXPENDITURES:				
Current:				
Support Services:				
Instructional Staff	0	14,285	0	14,285
Administration	28,266	23,864	0	52,130
	28,266	38,149	0	66,415
Other expenditures:				
Facilities acquisitions	48,360	255,040	1,981	305,381
TOTAL EXPENDITURES	76,626	293,189	1,981	371,796
Excess (deficiency) of revenues over (under) expenditures	(73,531)	140,681	4,488	71,638
Other financing uses:				
Transfer out	0	(339,904)	0	(339,904)
General obligation bond issuance	4,065,000	0	0	4,065,000
Revenue bond issuance	0	1,200,000	0	1,200,000
Premium on issuance of bond	64,364	3,438	0	67,802
Discount on issuance of bond	(64,364)	(21,437)	0	(85,801)
Total other financing sources (uses)	4,065,000	842,097	0	4,907,097
Net change in fund balances	3,991,469	982,778	4,488	4,978,735
Fund balance beginning of year	0	67,309	1,430	68,739
Fund balance end of year	\$ 3,991,469	1,050,087	5,918	5,047,474

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 2,094,554	1,987,464	1,935,751	2,188,764	2,138,771	1,904,633	1,802,600
Tuition	117,889	128,785	94,981	64,103	60,448	45,634	62,243
Other	344,129	342,044	443,423	577,225	530,708	461,352	426,612
State sources	2,370,396	2,776,255	2,852,537	2,497,099	2,258,608	2,189,660	2,134,366
Federal sources	555,502	294,287	317,361	356,786	395,753	660,075	593,982
<b>Total</b>	<b>\$ 5,482,470</b>	<b>5,528,835</b>	<b>5,644,053</b>	<b>5,683,977</b>	<b>5,384,288</b>	<b>5,261,354</b>	<b>5,019,803</b>
Expenditures:							
Instruction:							
Regular	\$ 1,897,660	2,420,010	2,188,154	1,957,053	1,861,322	1,694,655	1,660,307
Special	609,348	1,055,656	641,748	636,887	552,802	453,198	1,111,379
Other	1,089,427	346,367	750,655	733,997	793,753	1,063,047	304,524
Support services:							
Student	70,138	66,610	85,589	72,179	68,461	66,868	102,410
Instructional staff	139,091	257,576	156,977	213,212	163,014	99,174	84,091
Administration	606,330	533,499	513,764	435,934	431,359	386,224	419,226
Operation and maintenance of plant	379,495	396,027	455,939	371,620	355,242	331,774	321,013
Transportation	343,645	296,975	492,979	289,201	314,779	245,561	260,617
Other expenditures:							
Facilities acquisitions	351,138	271,535	552,245	153,407	206,641	480,552	979,330
Long-term debt:							
Principal	180,000	170,000	165,000	155,000	145,000	105,000	0
Interest	23,843	30,642	34,578	41,838	47,238	51,738	560
AEA flow-through	202,854	185,155	178,972	163,035	153,606	153,203	155,177
<b>Total</b>	<b>\$ 5,892,969</b>	<b>6,030,052</b>	<b>6,216,600</b>	<b>5,223,363</b>	<b>5,093,217</b>	<b>5,130,994</b>	<b>5,398,634</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST UNION COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Direct:			
U.S. Department of Education			
Rural Education Achievement Program	84.358	FY10	\$ 25,822
U.S. Department of Human Services			
Child Care and Development Block Grant	93.575	FY09	23,166
Child Care and Development Block Grant	93.575	FY10	18,305
			<u>41,471</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	18,963
National School Lunch Program	10.555	FY10	107,963 *
			<u>126,926</u>
National Endowment for the Arts:			
Iowa Department of Education:			
Promotion of the Arts - Partnership Agreements	45.025	FY10	200
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	104,261
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	21,766
			<u>126,027</u>
Career and Technical Education - Basic Grants to States	84.048	FY10	6,318
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY10	2,018
Improving Teacher Quality State Grants	84.367	FY10	32,015
Grants for State Assessment and Related Activities	84.369	FY10	2,925
ARRA - State Fiscal Stabilization Fund (SFSF)			
Education State Grants, Recovery Act	84.394	FY10	232,626
Area Education Agency:			
Special Education Cluster:			
ARRA - Special Education Grants to States, Recovery Act	84.391	FY09	11,188
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	47,886
Special Education - Grants to States	84.027	FY10	27,006
			<u>86,080</u>
Total			<u>\$ 682,428</u>

\* - Includes \$16,023 of non-cash awards

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of East Union Community School District and is presented on 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  
East 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 East Union Community School District of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 14, 2011. 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 East Union Community School District 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 East Union Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of East 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 and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings and Questioned Costs, 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 deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether East 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

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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, 2010 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.

East Union 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 East 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 East Union Community School District and other parties to whom East 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 East 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 14, 2011

# NOLTE, CORNMAN & JOHNSON P.C.

## Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

### 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 the  
East Union Community School District:

#### Compliance

We have audited the compliance of East 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, 2010. East 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 East Union Community School District's management. Our responsibility is to express an opinion on East 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 East 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 East Union Community School District's compliance with those requirements.

In our opinion, East 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, 2010.

#### Internal Control Over Compliance

The management of East 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 East 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 East Union Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all

deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

East 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 East 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 East Union Community School District and other parties to whom East Union Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2011

EAST UNION COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were 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
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) East Union Community School District did not qualify as a low-risk auditee.

EAST UNION COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted

INTERNAL CONTROL DEFICIENCY:

II-A-10 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 alternatives and implement if possible.

Conclusion - Response accepted.

EAST UNION COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553: School Breakfast Program  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2010  
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: 2010  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-10 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 alternatives and implement if possible.

Conclusion - Response accepted.

EAST UNION COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-10 Certified Budget - Expenditures for the year ended June 30, 2010 exceeded the amended certified budget amounts in the non-instructional programs function.

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

Response - The District will monitor the budget more closely and make sure to amend the budget as needed.

Conclusion - Response accepted.

IV-B-10 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-10 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. However, we noted that a meal expense was reimbursed for an incorrect amount.

Recommendation - The District should more thoroughly review requests for meal reimbursements before approving payments.

Response - The District will more thoroughly review requests for reimbursements before approving payments.

Conclusion - Response accepted.

IV-D-10 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-10 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-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 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-J-10 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales Services and Use Tax – During our audit, there was no instances of non-compliance noted with the use of the statewide sales, services and use 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, services and use tax. For the year ended June 30, 2010, the District’s financial activity and other required information for the statewide sales services tax are as follows:

Beginning Balance		\$	0
Statewide sales, services and use tax revenue			<u>433,301</u>
Expenditures/transfers out:			
School infrastructures:			
Buildings	\$	93,397	
Debt service for school infrastructure:			
Revenue bond debt		<u>339,904</u>	<u>433,301</u>
Ending Balance		\$	<u><u>0</u></u>

As a result of the statewide sales, services and use tax revenue received during year ended June 30, 2010 the District reduced the following levy:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Physical plant and equipment levy	1.34000	\$159,956

IV-M-10 Financial Condition - The District had a deficit unrestricted net assets balance of \$39,512 in the Nutrition Fund.

Recommendation - The District should monitor these funds and investigate alternatives to eliminate the deficits.

Response - The District will monitor these funds and try to resolve the deficit.

Conclusion - Response accepted.