

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

JUNE 30, 2010

Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-16
Basic Financial Statements:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	A 18
Statement of Activities	B 19
Governmental Fund Financial Statements:	
Balance Sheet	C 20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 21
Statement of Revenues, Expenditures and Changes in Fund Balances	E 22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 23
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 24
Statement of Revenues, Expenses and Changes in Net Assets	H 25
Statement of Cash Flows	I 26
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 27
Statement of Changes in Fiduciary Net Assets	K 28
Notes to Financial Statements	29-41
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	44
Notes to Required Supplementary Information - Budgetary Reporting	45
Schedule of Funding in Progress for the Retiree Health Plan	46
Component Unit Financial Statements:	
Statement of Assets, Liabilities and Net Assets - Cash Basis - Component Unit	47
Statement of Revenues, Expenses and Changes in Net Assets - Cash Basis - Component Unit	48
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 51
Schedule of Changes in Special Revenue, Student Activity Accounts	3 52-53
Schedule of Changes in Special Revenue, Expendable Trust Accounts	4 54
Combining Balance Sheet, Capital Projects Fund	5 55
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance, Capital Projects Fund	6 56
Fiduciary Funds:	
Combining Statement of Fiduciary Net Assets	7 57
Combining Statement of Changes in Fiduciary Net Assets	8 58
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	9 59
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	10 60
Schedule of Expenditures of Federal Awards	11 61
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 <u>Government Auditing Standards</u>	63-64
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	65-66
Schedule of Findings and Questioned Costs	67-72

Union Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Bart Frush	President	2009
Joe Connolly	Vice President	2011
Denny McLaughlin	Board Member	2011
Ryan Moody	Board Member	2011
	(Resigned 7/2009)	
Deb Oliver	Board Member	2009
	(Appointed 7/2009)	
Jim Barz	Board Member	2009
James Bronner	Board Member	2009
Robert Hanson	Board Member	2011

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

Bart Frush	President	2013
Joe Connolly	Vice President	2011
Denny McLaughlin	Board Member	2011
Deb Oliver	Board Member	2011 *
Jim Barz	Board Member	2013
James Bronner	Board Member	2013
Robert Hanson	Board Member	2011

School Officials

Neil Mullen	Superintendent	2010
Kathy Krug	District Secretary/Treasurer and Business Manager	2010
Steve Weidner	Attorney	2010

* Elected for 2 years completing Moody's original term to 2011.

UNION COMMUNITY SCHOOL DISTRICT

Education to Meet Tomorrow's Challenges

NOTLE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Union Community School District, Laporte City, Iowa, as of and for the year ended June 30, 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 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 11, 2011 on our consideration of Union Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, the Schedule of Funding Progress for the Retiree Health Plan and the statements for the discretely presented component unit on pages 7 through 16 and 44 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Union Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$11,362,048 at June 30, 2009 to \$11,195,757 at June 30, 2010, while General Fund expenditures increased from \$11,055,791 at June 30, 2009 to \$11,130,103 at June 30, 2010. This resulted in an increase in the District's General Fund balance from \$727,525 in fiscal 2009 to a balance of \$793,179 in fiscal 2010.
- The decrease in General Fund revenues was attributable to a decrease in state revenues in fiscal 2010. The increase in expenditures was due primarily to an increase in instructional and other expenditures.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Union Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Union Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Union Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

Figure A-1
Union Community School District Annual Financial Report

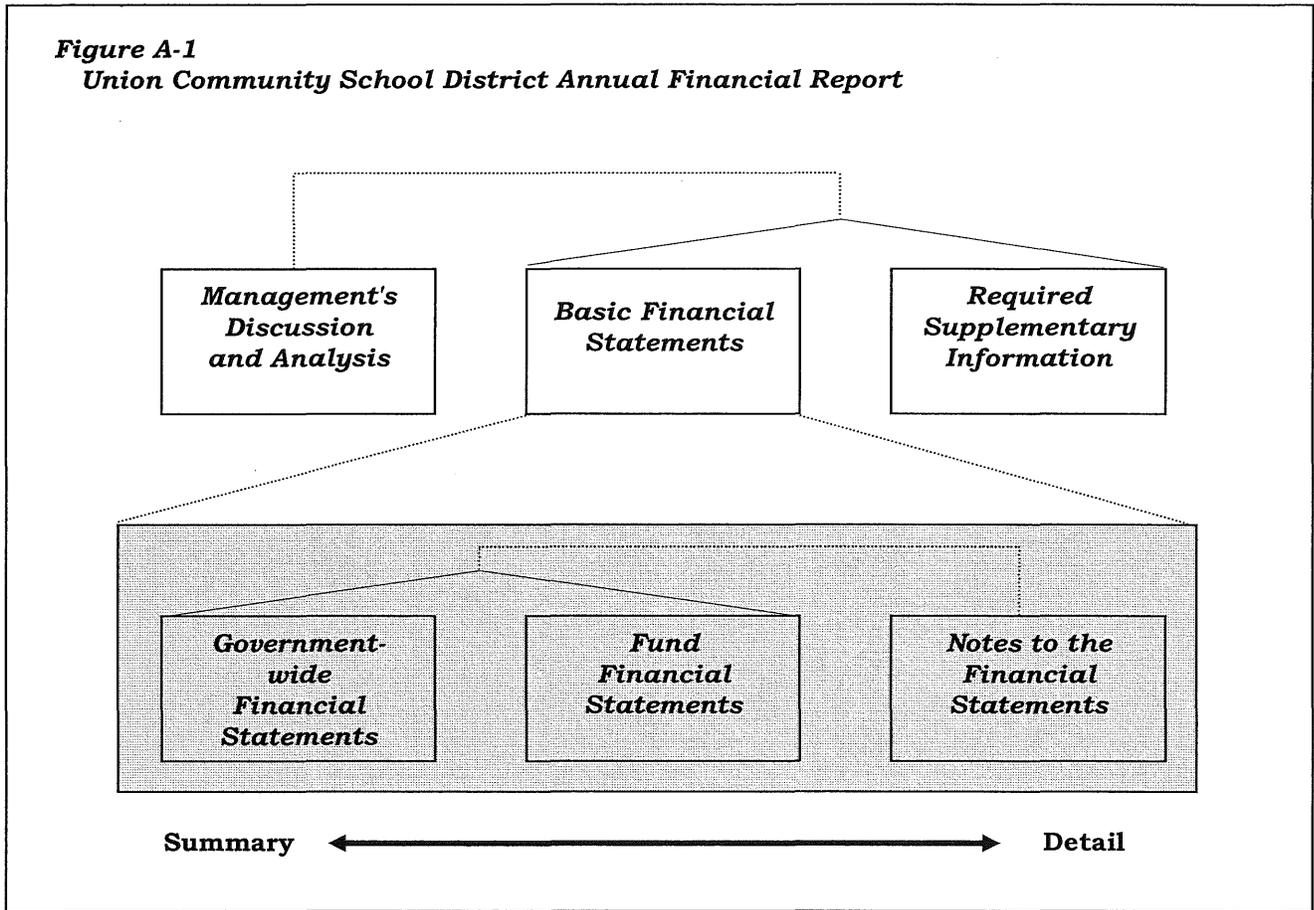


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trusts and Agency Fund.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Assets								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2010	2009	2010	2009	2010	2009	2009-10	
Current and other assets	\$ 11,529,910	10,114,586	66,083	43,866	11,595,993	10,158,452	14.15%	
Capital assets	12,843,971	5,812,612	59,638	59,565	12,903,609	5,872,177	119.74%	
Total assets	24,373,881	15,927,198	125,721	103,431	24,499,602	16,030,629	52.83%	
Long-term obligations	8,841,121	77,412	241	-	8,841,362	77,412	11321.18%	
Other liabilities	5,756,402	6,594,142	11,952	32,249	5,768,354	6,626,391	-12.95%	
Total liabilities	14,597,523	6,671,554	12,193	32,249	14,609,716	6,703,803	117.93%	
Net assets:								
Invested in capital assets, net of related debt	5,415,188	5,812,612	59,638	59,565	5,474,826	5,872,177	-6.77%	
Restricted	3,255,897	2,411,508	-	-	3,255,897	2,411,508	35.01%	
Unrestricted	1,105,273	1,031,524	53,890	11,617	1,159,163	1,043,141	11.12%	
Total net assets	\$ 9,776,358	9,255,644	113,528	71,182	9,889,886	9,326,826	6.04%	

The District's combined net assets increased 6.04%, or \$563,060, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$844,389, or 35.01% from the prior year. The increase was primarily a result of the increase in the Capital Projects Fund.

Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased by \$116,022 or 11.12%, over the prior year. This increase in unrestricted net assets was largely a result of the increase in the General Fund during the year.

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

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 869,032	836,235	411,365	398,067	1,280,397	1,234,302	3.73%
Operating grants and contributions and restricted interest	2,266,845	1,702,412	247,160	227,820	2,514,005	1,930,232	30.24%
Capital grants and contributions and restricted interest	37,200	2,207	-	-	37,200	2,207	1585.55%
General revenues and transfers:							
Local tax	3,988,118	3,828,250	-	-	3,988,118	3,828,250	4.18%
Income surtax	579,925	482,670	-	-	579,925	482,670	20.15%
Statewide sales, services and use tax	914,577	1,025,149	-	-	914,577	1,025,149	-10.79%
Unrestricted state grants	4,166,923	5,053,032	-	-	4,166,923	5,053,032	-17.54%
Unrestricted interest revenue	22,853	98,984	55	183	22,908	99,167	-76.90%
Other general revenue	75,613	95,659	2,838	896	78,451	96,555	-18.75%
Transfers	(11,027)	(10,490)	11,027	10,490	-	-	0.00%
Total revenues and transfers	12,910,059	13,114,108	672,445	637,456	13,582,504	13,751,564	-1.23%
Program expenses:							
Governmental activities:							
Instructional	7,812,834	7,824,491	-	-	7,812,834	7,824,491	-0.15%
Support services	3,601,588	3,720,918	11,672	13,040	3,613,260	3,733,958	-3.23%
Non-instructional programs	11,749	3,916	618,427	630,033	630,176	633,949	-0.60%
Other expenses	963,174	682,090	-	-	963,174	682,090	41.21%
Total expenses	12,389,345	12,231,415	630,099	643,073	13,019,444	12,874,488	1.13%
Change in net assets	520,714	882,693	42,346	(5,617)	563,060	877,076	-35.80%
Net assets beginning of year	9,255,644	8,372,951	71,182	76,799	9,326,826	8,449,750	10.38%
Net assets end of year	\$ 9,776,358	9,255,644	113,528	71,182	9,889,886	9,326,826	6.04%

In fiscal 2010, property tax and unrestricted state grants account for 63.17% of the revenue from governmental activities while charges for services and operating grants and contributions account for 97.93% of the revenue from business type activities.

The District's total revenues were \$13,582,504, of which \$12,910,059 was for governmental activities and \$672,445 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.23% decrease in revenues and a 1.13% increase in expenditures. The increase in expenses is primarily related to the increases in other expenditures during the year.

Governmental Activities

Revenues for governmental activities were \$12,910,059 and expenses were \$12,389,345.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 7,812,834	7,824,491	-0.15%	5,303,232	5,811,900	-8.75%
Support services	3,601,588	3,720,918	-3.21%	3,511,898	3,647,160	-3.71%
Non-instructional	11,749	3,916	200.03%	11,749	3,916	200.03%
Other expenses	963,174	682,090	41.21%	389,389	227,585	71.10%
Totals	\$ 12,389,345	12,231,415	1.29%	9,216,268	9,690,561	-4.89%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$869,032.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,304,045.
- The net cost of governmental activities was financed with \$4,568,043 in local tax, \$914,577 in statewide sales, services and use tax, \$4,166,923 in unrestricted state grants, \$22,853 in interest income, and \$64,586 in other general revenues net of transfers.

Business type Activities

Revenues of the District's business type activities were \$672,445 and expenses were \$630,099. The District's business type activities include the School Nutrition Fund. Revenues of these activities were largely comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Union Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,319,980, above last year's ending fund balances of \$3,089,870. However, the primary reason for the increase in combined fund balances in fiscal 2010 is due to the increase in the Capital Projects Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Growth in the year of local and federal sources of revenue nearly offset the significant reduction of state sources of revenue. The District was able to limit the increase in expenditures during the year producing the \$65,654 increase in fund balance.
- The Special Revenue, Management Levy Fund balance increased from \$296,005 at the end of fiscal year 2009 to \$371,173 at the end of fiscal year 2010. Revenues remained approximately the same while expenses increased 31.53%. However, revenues were still higher than expenses producing the increase in fund balance.
- The Special Revenue, Physical Plant and Equipment Levy Fund balance increased from \$55,030 at June 30, 2009 to \$104,238 at June 30, 2010. While revenues increased only slightly, the District substantially reduced spending from the PPEL Fund improving the financial condition of the fund.
- The Capital Projects Fund balance increased from \$1,525,219 at June 30, 2009 to \$3,758,428 at June 30, 2010. The increase in fund balance can be attributed to the unspent portion of Bond Anticipation Notes issued by the District during the year.

Proprietary Funds Highlights

- The School Nutrition Fund net assets increased from \$71,182 at June 30, 2009 to \$113,528 at June 30, 2010, representing an increase of 59.49%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Union Community School District amended its budget one time to reflect additional revenue and expenditures associated with the issuance of Bond Anticipation Notes used for various construction projects.

The District's revenues were \$867,564 less than budgeted revenues, a variance of 6.02%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$12,903,609, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and construction in progress. (See Figure A-6) There is more detailed information about the District's capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$484,162.

The original cost of the District's capital assets was \$23,628,273. Governmental funds account for \$23,396,707 with the remainder of \$231,566 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$421,928 at June 30, 2009, compared to \$7,645,631 reported at June 30, 2010.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 53,729	53,729	-	-	53,729	53,729	0.00%
Construction in progress	7,645,631	421,928	-	-	7,645,631	421,928	1712.07%
Buildings	4,444,931	4,504,313	-	-	4,444,931	4,504,313	-1.32%
Land improvements	66,332	83,162	-	-	66,332	83,162	-20.24%
Machinery and equipment	633,348	749,480	59,638	59,565	692,986	809,045	-14.35%
Total	\$ 12,843,971	5,812,612	59,638	59,565	12,903,609	5,872,177	119.74%

Long-Term Debt

At June 30, 2010, the District had \$8,841,362 in total long-term debt outstanding. This represents an increase of 11,316.05% from last year. (See Figure A-7) There is more detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

During the year ended June 30, 2010, the District's Board of Directors authorized the issuance of \$8,800,000 in bond anticipation notes associated with various construction projects.

The District had total outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$37,393 at June 30, 2010.

Fiscal year 2010 was the District's initial year of recording net OPEB liability in compliance with GASB Statement No. 45. At June 30, 2010, the total liability facing the District for other postemployment benefits was \$3,969.

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
Bond anticipation notes (BANS)	\$ 8,800,000	-	100.00%
Early retirement	37,393	77,412	-51.70%
Net OPEB liability	3,969	-	100.00%
Totals	\$ 8,841,362	77,412	11321.18%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kathy Krug, District Secretary/Treasurer and Business Manager, Union Community School District, 200 Adams, La Porte City, Iowa, 50651.

BASIC FINANCIAL STATEMENTS

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

	Primary Government			Component Unit
	Govern- mental Activities	Business type Activities	Total	Union Community School District Foundation
Assets				
Cash and pooled investments	\$ 6,641,592	47,262	6,688,854	147,319
Receivables:				
Property tax:				
Delinquent	54,813	-	54,813	-
Succeeding year	4,043,775	-	4,043,775	-
Income surtax	466,361	-	466,361	-
Accounts	25,225	810	26,035	-
Due from other governments	298,144	-	298,144	-
Inventories	-	18,011	18,011	-
Capital assets, net of accumulated depreciation	12,843,971	59,638	12,903,609	-
Total assets	24,373,881	125,721	24,499,602	147,319
Liabilities				
Accounts payable	1,110,677	685	1,111,362	-
Salaries and benefits payable	547,641	-	547,641	-
Accrued interest payable	12,833	-	12,833	-
Unearned revenue	-	11,267	11,267	-
Deferred revenue:				
Succeeding year property tax	4,043,775	-	4,043,775	-
Other	41,476	-	41,476	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds payable	8,800,000	-	8,800,000	-
Early retirement payable	37,393	-	37,393	-
Portion due after one year:				
Net OPEB liability	3,728	241	3,969	-
Total liabilities	14,597,523	12,193	14,609,716	-
Net Assets				
Invested in capital assets, net of related debt	5,415,188	59,638	5,474,826	-
Restricted for:				
Categorical funding	137,706	-	137,706	-
Capital projects	2,387,211	-	2,387,211	-
Management levy	333,780	-	333,780	-
Physical plant and equipment levy	104,238	-	104,238	-
Other special revenue purposes	292,962	-	292,962	-
Unrestricted	1,105,273	53,890	1,159,163	147,319
Total net assets	\$ 9,776,358	113,528	9,889,886	147,319

SEE NOTES TO FINANCIAL STATEMENTS

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		Component Unit	
					Govern- mental Activities	Business Type Activities	Total	Union Community School District Foundation
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 4,952,416	338,662	1,319,781	-	(3,293,973)	-	(3,293,973)	-
Special	1,342,679	-	291,707	-	(1,050,972)	-	(1,050,972)	-
Other	1,517,739	445,613	113,839	-	(958,287)	-	(958,287)	-
	<u>7,812,834</u>	<u>784,275</u>	<u>1,725,327</u>	<u>-</u>	<u>(5,303,232)</u>	<u>-</u>	<u>(5,303,232)</u>	<u>-</u>
Support services:								
Student	298,058	-	-	-	(298,058)	-	(298,058)	-
Instructional staff	513,928	-	-	-	(513,928)	-	(513,928)	-
Administration	1,219,529	6,125	-	-	(1,213,404)	-	(1,213,404)	-
Operation and maintenance of plant	863,408	-	-	-	(863,408)	-	(863,408)	-
Transportation	706,665	78,632	4,933	-	(623,100)	-	(623,100)	-
	<u>3,601,588</u>	<u>84,757</u>	<u>4,933</u>	<u>-</u>	<u>(3,511,898)</u>	<u>-</u>	<u>(3,511,898)</u>	<u>-</u>
Non-instructional programs:								
Food service and other enterprise operations	11,749	-	-	-	(11,749)	-	(11,749)	-
Other expenditures:								
Facilities acquisitions	80,412	-	-	37,200	(43,212)	-	(43,212)	-
Long-term debt interest	135,678	-	-	-	(135,678)	-	(135,678)	-
AEA flowthrough	536,585	-	536,585	-	-	-	-	-
Depreciation(unallocated)*	210,499	-	-	-	(210,499)	-	(210,499)	-
	<u>963,174</u>	<u>-</u>	<u>536,585</u>	<u>37,200</u>	<u>(389,389)</u>	<u>-</u>	<u>(389,389)</u>	<u>-</u>
Total governmental activities	<u>12,389,345</u>	<u>869,032</u>	<u>2,266,845</u>	<u>37,200</u>	<u>(9,216,268)</u>	<u>-</u>	<u>(9,216,268)</u>	<u>-</u>
Business type activities:								
Support services:								
Student	1,965	-	-	-	(1,965)	(1,965)	-	-
Administration	3,179	-	-	-	(3,179)	(3,179)	-	-
Operation and maintenance of plant	6,528	-	-	-	(6,528)	(6,528)	-	-
Non-instructional programs:								
Nutrition services	618,427	411,365	247,160	-	-	40,098	40,098	-
Total business type activities	<u>630,099</u>	<u>411,365</u>	<u>247,160</u>	<u>-</u>	<u>-</u>	<u>28,426</u>	<u>28,426</u>	<u>-</u>
Total primary government	\$ <u>13,019,444</u>	<u>1,280,397</u>	<u>2,514,005</u>	<u>37,200</u>	<u>(9,216,268)</u>	<u>28,426</u>	<u>(9,187,842)</u>	<u>-</u>
Total component unit	\$ <u>766</u>	<u>-</u>	<u>132,944</u>					<u>132,178</u>
General Revenues and Transfers:								
General Revenues:								
Local tax for:								
General purposes				\$ 3,881,907	-	3,881,907	-	-
Capital outlay				106,211	-	106,211	-	-
Income surtax				579,925	-	579,925	-	-
Statewide sales, services and use tax				914,577	-	914,577	-	-
Unrestricted state grants				4,166,923	-	4,166,923	-	-
Unrestricted investment earnings				22,853	55	22,908	1,551	-
Unrealized gain(loss)				-	-	-	(6,106)	-
Other general revenue				75,613	2,838	78,451	-	-
Transfers				(11,027)	11,027	-	-	-
Total general revenues and transfers				<u>9,736,982</u>	<u>13,920</u>	<u>9,750,902</u>	<u>(4,555)</u>	
Changes in net assets				520,714	42,346	563,060	127,623	
Net assets beginning of year				<u>9,255,644</u>	<u>71,182</u>	<u>9,326,826</u>	<u>19,696</u>	
Net assets end of year				<u>\$ 9,776,358</u>	<u>113,528</u>	<u>9,889,886</u>	<u>147,319</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 1,185,226	4,692,682	763,684	6,641,592
Receivables:				
Property tax:				
Delinquent	50,452	-	4,361	54,813
Succeeding year	3,725,986	-	317,789	4,043,775
Income surtax	466,361	-	-	466,361
Accounts	22,135	-	3,090	25,225
Due from other governments	140,202	157,942	-	298,144
Total assets	\$ 5,590,362	4,850,624	1,088,924	11,529,910
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 15,719	1,092,196	2,762	1,110,677
Salaries and benefits payable	547,641	-	-	547,641
Deferred revenue:				
Succeeding year property tax	3,725,986	-	317,789	4,043,775
Income surtax	466,361	-	-	466,361
Other	41,476	-	-	41,476
Total liabilities	4,797,183	1,092,196	320,551	6,209,930
Fund balances:				
Reserved for:				
Construction	-	1,371,217	-	1,371,217
Categorical Funding	137,706	-	-	137,706
Unreserved	655,473	2,387,211	768,373	3,811,057
Total fund balances	793,179	3,758,428	768,373	5,319,980
Total liabilities and fund balances	\$ 5,590,362	4,850,624	1,088,924	11,529,910

SEE NOTES TO FINANCIAL STATEMENTS

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

Total fund balances of governmental funds (page 20)	\$	5,319,980
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		12,843,971
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		466,361
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(12,833)
Long-term liabilities, including bonds payable, early retirement payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds		<u>(8,841,121)</u>
Net assets of governmental activities (page 18)	\$	<u>9,776,358</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 4,216,716	914,577	315,540	5,446,833
Tuition	336,776	-	-	336,776
Other	230,537	51,738	412,555	694,830
State sources	5,530,157	-	226	5,530,383
Federal sources	873,821	-	-	873,821
Total revenues	11,188,007	966,315	728,321	12,882,643
Expenditures:				
Current:				
Instruction:				
Regular	4,880,305	9,215	61,649	4,951,169
Special	1,342,679	-	-	1,342,679
Other	1,135,061	-	372,359	1,507,420
	<u>7,358,045</u>	<u>9,215</u>	<u>434,008</u>	<u>7,801,268</u>
Support services:				
Student	296,858	-	500	297,358
Instructional staff	406,335	69,507	29,494	505,336
Administration	1,120,431	-	80,232	1,200,663
Operation and maintenance of plant	796,788	3,524	59,847	860,159
Transportation	613,983	-	11,814	625,797
	<u>3,234,395</u>	<u>73,031</u>	<u>181,887</u>	<u>3,489,313</u>
Non-instructional programs:				
Food service and other enterprise operations	1,078	-	10,671	11,749
Other expenditures:				
Facilities acquisitions	-	7,426,872	11,530	7,438,402
Long-term debt:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	122,845	122,845
AEA flowthrough	536,585	-	-	536,585
	<u>536,585</u>	<u>7,426,872</u>	<u>134,375</u>	<u>8,097,832</u>
Total expenditures	11,130,103	7,509,118	760,941	19,400,162
Excess (deficiency) of revenues over (under) expenditures	57,904	(6,542,803)	(32,620)	(6,517,519)
Other financing sources (uses):				
Transfer in	5,094	582,322	170,955	758,371
Transfer out	-	(562,310)	(207,088)	(769,398)
Issuance of BANS	-	8,800,000	-	8,800,000
Discount on issuance of BANS	-	(44,000)	-	(44,000)
Sale of equipment	2,656	-	-	2,656
Total other financing sources (uses)	7,750	8,776,012	(36,133)	8,747,629
Net change in fund balances	65,654	2,233,209	(68,753)	2,230,110
Fund balances beginning of year	727,525	1,525,219	837,126	3,089,870
Fund balances end of year	\$ 793,179	3,758,428	768,373	5,319,980

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (page 22) \$ 2,230,110

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

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

Capital outlay	\$ 7,502,145	
Depreciation expense	<u>(470,786)</u>	7,031,359

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 35,787

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	40,019	
Other postemployment benefits	<u>(3,728)</u>	36,291

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. (8,800,000)

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. (12,833)

Change in net assets of governmental activities (page 19) \$ 520,714

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

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 47,262
Accounts receivable	810
Inventories	18,011
Capital assets, net of accumulated depreciation	<u>59,638</u>
Total assets	<u>125,721</u>
Liabilities	
Accounts payable	685
Unearned revenue	11,267
Net OPEB liability	<u>241</u>
Total liabilities	<u>12,193</u>
Net Assets	
Invested in capital assets	59,638
Unrestricted	<u>53,890</u>
Total net assets	<u>\$ 113,528</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 411,365
Miscellaneous	2,838
	414,203
Operating expenses:	
Support services:	
Student:	
Services	1,965
Administration:	
Services	3,179
Operation and maintenance of plant:	
Services	6,528
	11,672
Non-instructional programs:	
Food service operations:	
Salaries	172,610
Benefits	109,003
Services	238
Supplies	322,825
Depreciation	13,376
Other	375
	618,427
Total operating expenses	630,099
Operating loss	(215,896)
Non-operating revenues:	
State sources	6,636
Federal sources	240,524
Interest income	55
Total non-operating revenues	247,215
Change in net assets before other financing sources(uses)	31,319
Other financing sources(uses):	
Transfer in	12,699
Transfer out	(1,672)
Total other financing sources(uses)	11,027
Increase in net assets	42,346
Net assets beginning of year	71,182
Net assets end of year	\$ 113,528

SEE NOTES TO FINANCIAL STATEMENTS

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

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 411,704
Cash received from miscellaneous operating activities	2,838
Cash payments to employees for services	(281,372)
Cash payments to suppliers for goods or services	(308,601)
Net cash used in operating activities	(175,431)
Cash flows from non-capital financing activities:	
State grants received	6,636
Federal grants received	189,927
Transfer in from PPEL Fund	12,699
Transfer out to General Fund	(1,672)
Net cash provided by non-capital financing activities	207,590
Cash flows from capital financing activities:	
Acquisition of capital assets	(13,449)
Cash flows from investing activities:	
Interest on investment	55
Net increase in cash and cash equivalents	18,765
Cash and cash equivalents beginning of year	28,497
Cash and cash equivalents end of year	\$ 47,262
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (215,896)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	50,597
Depreciation	13,376
Increase in inventories	(3,430)
Increase in accounts receivable	(22)
Decrease in accounts payable	(20,658)
Increase in unearned revenue	361
Increase in net OPEB liability	241
Net cash used by operating activities	\$ (175,431)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2010, the District received \$50,597 of federal commodities.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Private Purpose Trust	Agency
	Scholarship	
Assets		
Cash and pooled investments	\$ 188,705	8,446
Liabilities		
Due to other groups	-	8,446
Net Assets		
Unrestricted	\$ 188,705	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest	\$ 333
Deductions:	
Scholarships	6,450
Change in net assets	(6,117)
Net assets beginning of year	194,822
Net assets end of year	\$ 188,705

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

(1) Summary of Significant Accounting Policies

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

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Union Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Union Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

Discretely Presented Component Unit

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Tama, Blackhawk, Buchanan and Benton Counties Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following proprietary funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue

items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible

to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, machinery and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20 years
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 are payable in July and August, have been accrued as liabilities.

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

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

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

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

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

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when

constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits at June 30, 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 \$6,108,323 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. The District did not have any ISCAP advance activity during the year ended June 30, 2010.

During the year ended June 30, 2010, the District paid \$30,036 of interest on the ISCAP warrants.

(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>
Nutrition	Special Revenue: Physical Plant and Equipment Levy	\$ 12,699
Debt Service	Capital Projects, Statewide Sales, Services and Use Tax	170,955
Capital Projects, Statewide Sales, Services and Use Tax	Capital Projects, Tama & Benton County Local Option Sales and Services Tax	150,000
Capital Projects, Statewide Sales, Services and Use Tax	Capital Projects, Athletic Complex/Land Purchase	14,181
Capital Projects, Statewide Sales, Services and Use Tax	Capital Projects, Elementary Playground/Building Fund	227,174
Capital Projects, Statewide Sales, Services and Use Tax	Special Revenue, Expendable Trust Fund - Bowers Estate	190,967
General Fund	Nutrition Fund	1,672
General Fund	Special Revenue, Student Activity Fund	3,422
Total		<u>\$ 771,070</u>

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

The Special Revenue: Physical Plant & Equipment Levy transferred monies to the Nutrition Fund for the purchase of equipment.

The Capital Projects, Statewide Sales, Services and Use Fund transferred monies to the Debt Service Fund for debt relief.

The Capital Projects, Tama & Benton County Local Option Sales and Services Tax transferred monies to the Capital Projects, Statewide Sales, Services and Use Tax Fund for construction costs.

The Capital Projects, Athletic Complex/Land Purchase Fund transferred monies to the Capital Projects, Statewide Sales, Services and Use Tax for athletic complex construction.

The Capital Projects, Elementary Playground/Building Fund transferred monies to the Capital Projects, Statewide Sales, Services and Use Tax for renovations.

The Special Revenue, Expendable Trust Fund - Bowers Estate transferred monies to the Capital Projects, Statewide Sales, Services and Use Tax for construction.

The Nutrition Fund transferred monies to the General Fund to move the Team Nutrition Grant.

The Special Revenue, Student Activity Fund transferred monies to the General Fund for scholarships and to eliminate an old class account balance.

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 53,729	-	-	53,729
Construction in progress	421,928	7,357,990	134,287	7,645,631
Total capital assets not being depreciated	<u>475,657</u>	<u>7,357,990</u>	<u>134,287</u>	<u>7,699,360</u>
Capital assets being depreciated:				
Buildings	9,352,059	134,287	-	9,486,346
Land improvements	1,246,048	-	-	1,246,048
Machinery and equipment	4,878,269	144,155	57,471	4,964,953
Total capital assets being depreciated	<u>15,476,376</u>	<u>278,442</u>	<u>57,471</u>	<u>15,697,347</u>
Less accumulated depreciation for:				
Buildings	4,847,746	193,669	-	5,041,415
Land improvements	1,162,886	16,830	-	1,179,716
Machinery and equipment	4,128,789	260,287	57,471	4,331,605
Total accumulated depreciation	<u>10,139,421</u>	<u>470,786</u>	<u>57,471</u>	<u>10,552,736</u>
Total capital assets being depreciated, net	<u>5,336,955</u>	<u>(192,344)</u>	<u>-</u>	<u>5,144,611</u>
Governmental activities capital assets, net	<u>\$ 5,812,612</u>	<u>7,165,646</u>	<u>134,287</u>	<u>12,843,971</u>
Business type activities:				
Machinery and equipment	\$ 218,117	13,449	-	231,566
Less accumulated depreciation	158,552	13,376	-	171,928
Business type activities capital assets, net	<u>\$ 59,565</u>	<u>73</u>	<u>-</u>	<u>59,638</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 110,831
Other		21,826
Support services:		
Student		606
Instructional staff		8,498
Administration		5,523
Operation and maintenance of plant		9,819
Transportation		103,184
		<u>260,287</u>
Unallocated depreciation		210,499
		<u>470,786</u>
Total governmental activities depreciation expense		<u>\$ 470,786</u>
Business type activities:		
Food services		<u>\$ 13,376</u>

(6) Long-Term Liabilities

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

	Balance			Balance	Due
	Beginning	Additions	Deletions	End of	Within
	of Year			Year	One Year
Governmental activities:					
Bond anticipation notes (BANS)	\$ -	8,800,000	-	8,800,000	8,800,000
Early retirement	77,412	37,393	77,412	37,393	37,393
Net OPEB liability	-	3,728	-	3,728	-
Total	<u>\$ 77,412</u>	<u>8,841,121</u>	<u>77,412</u>	<u>8,841,121</u>	<u>8,837,393</u>
Business type activities:					
Net OPEB liability	\$ -	241	-	241	-

Bond Anticipation Notes

During the year ended June 30, 2010, the District issued revenue bond anticipation notes. The District currently has outstanding a long-term liability of \$8,800,000 to be repaid to Bankers Trust Co. NA at the bond closing on October 6, 2010.

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must have been at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees completed an application which was required to be approved by the Board of Education. The early retirement incentive for each eligible employee is 55% of current year's salary, exclusive of supplemental pay, extended contract pay, or overtime. Early retirement benefits paid during the year ended June 30, 2010, totaled \$77,412. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) **Pension and Retirement Benefits**

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$383,973, \$362,387 and \$316,637 respectively, equal to the required contributions for each year.

(8) **Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 113 active and 9 retired members in the plan. Participants must be age 55 or older at age of retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical 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 District's net OPEB obligation:

Annual required contribution	\$ 13,516
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>13,516</u>
Contributions made	<u>(9,547)</u>
Increase in net OPEB obligation	3,969
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 3,969</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 \$9,547 to the medical plan. Retired members eligible for the plan contributed \$46,432 or 82.95% 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	\$13,516	70.63%	\$3,969

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 \$129,719, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$129,719. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,843,488 and the ratio of the UAAL to covered payroll was 2.68%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. 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 Projected Unit Cost and Entry Age actuarial methods were used. The actuarial assumptions include a 3.0% discount rate based on the District's funding policy. The projected annual medical trend rate starts at 9%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Combined Mortality Rates for Male and Female, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$593 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$536,585 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(10) Construction Commitments

The District has entered into various contracts for the Elementary remodel/addition, Elementary tuck-pointing and windows and doors replacement projects, the football field/track renovation project and the baseball/softball complex project totaling \$8,790,071. As of June 30, 2010, costs of \$7,645,631 have been incurred against the contracts. The balance of \$1,144,441 remaining at June 30, 2010 will be paid as work on the projects progresses. The total cost of the new projects will be added to the District's fixed asset listing upon completion.

(11) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2010 are as follows:

Project	Amount
Weighted Limited English Proficient	\$ 6,435
Home School Assistance Program	5,371
Weighted At-Risk Programs	51,417
Returning Dropouts and Dropout Prevention Programs	26,693
Teacher Salary Supplement	6,138
Professional Development for Model Core Curriculum	17,654
Professional Development	17,615
Market Factor Incentives	6,383
	\$ 137,706
Total	

UNION COMMUNITY SCHOOL DISTRICT

Education to Meet Tomorrow's Challenges

REQUIRED SUPPLEMENTARY INFORMATION

UNION COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 6,478,439	414,258	6,892,697	6,965,215	6,965,215	(72,518)
Intermediate sources	-	-	-	185,041	185,041	(185,041)
State sources	5,530,383	6,636	5,537,019	6,753,369	6,753,369	(1,216,350)
Federal sources	873,821	240,524	1,114,345	508,000	508,000	606,345
Total revenues	12,882,643	661,418	13,544,061	14,411,625	14,411,625	(867,564)
Expenditures/Expenses:						
Instruction	7,801,268	-	7,801,268	8,910,000	8,910,000	1,108,732
Support services	3,489,313	11,672	3,500,985	4,128,035	4,128,035	627,050
Non-instructional programs	11,749	618,427	630,176	738,699	738,699	108,523
Other expenditures	8,097,832	-	8,097,832	3,556,398	12,356,398	4,258,566
Total expenditures/expenses	19,400,162	630,099	20,030,261	17,333,132	26,133,132	6,102,871
Excess(deficiency) of revenues over(under) expenditures/expenses	(6,517,519)	31,319	(6,486,200)	(2,921,507)	(11,721,507)	5,235,307
Other financing sources(uses), net	8,747,629	11,027	8,758,656	7,000	7,000	8,751,656
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	2,230,110	42,346	2,272,456	(2,914,507)	(11,714,507)	13,986,963
Balances beginning of year	3,089,870	71,182	3,161,052	3,519,326	3,519,326	(358,274)
Balances end of year	\$ 5,319,980	113,528	5,433,508	604,819	(8,195,181)	13,628,689

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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 \$8,800,000.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 129,719	129,719	0.00%	\$ 4,846,488	2.68%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND
NET ASSETS - CASH BASIS
COMPONENT UNIT
JUNE 30, 2010

	<u>Union Community School District Foundation</u>
Assets	
Cash and pooled investments	\$ 147,319
Liabilities	<u>-</u>
Net Assets	
Unrestricted	<u>\$ 147,319</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - CASH BASIS
COMPONENT UNIT
YEAR ENDED JUNE 30, 2010

	Union Community School District Foundation
Revenues:	
Contributions	\$ 132,944
Expenses:	
Administrative services	766
Operating income	132,178
Non-operating revenues(expenses):	
Unrealized loss	(6,106)
Interest income	1,551
Total non-operating revenues(expenses)	(4,555)
Changes in net assets	127,623
Net assets beginning of year	19,696
Net assets end of year	\$ 147,319

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue				Total Other Nonmajor Governmental Funds
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Expendable Trust	
Assets					
Cash and pooled investments	\$ 160,987	368,297	102,753	131,647	763,684
Receivables:					
Property tax:					
Delinquent	-	2,876	1,485	-	4,361
Succeeding year	-	210,001	107,788	-	317,789
Accounts	3,090	-	-	-	3,090
Total assets	\$ 164,077	581,174	212,026	131,647	1,088,924
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 2,762	-	-	-	2,762
Deferred revenue:					
Succeeding year property tax	-	210,001	107,788	-	317,789
Total liabilities	2,762	210,001	107,788	-	320,551
Fund Balances:					
Unreserved	161,315	371,173	104,238	131,647	768,373
Total liabilities and fund balances	\$ 164,077	581,174	212,026	131,647	1,088,924

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue					Debt Service	Total Other Nonmajor Governmental Funds
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds		
Revenues:							
Local sources:							
Local tax	\$ -	209,329	106,211	-	315,540	-	315,540
Other	397,925	14,501	66	63	412,555	-	412,555
State sources	-	150	76	-	226	-	226
Total revenues	397,925	223,980	106,353	63	728,321	-	728,321
Expenditures:							
Current:							
Instruction:							
Regular	-	59,964	1,685	-	61,649	-	61,649
Other	372,359	-	-	-	372,359	-	372,359
Support services:							
Student	500	-	-	-	500	-	500
Instructional staff	1,480	-	28,014	-	29,494	-	29,494
Administration	17,908	14,214	-	-	32,122	48,110	80,232
Operation and maintenance of plant	4,481	52,149	3,217	-	59,847	-	59,847
Transportation	-	11,814	-	-	11,814	-	11,814
Non-instruction:							
Food service operations	-	10,671	-	-	10,671	-	10,671
Other expenditures:							
Facilities acquisitions	-	-	11,530	-	11,530	-	11,530
Long-term debt:							
Interest and fiscal charges	-	-	-	-	-	122,845	122,845
Total expenditures	396,728	148,812	44,446	-	589,986	170,955	760,941
Excess (deficiency) of revenues over (under) expenditures	1,197	75,168	61,907	63	138,335	(170,955)	(32,620)
Other financing sources (uses):							
Transfer in	-	-	-	-	-	170,955	170,955
Transfer out	(3,422)	-	(12,699)	(190,967)	(207,088)	-	(207,088)
Total other financing sources (uses)	(3,422)	-	(12,699)	(190,967)	(207,088)	170,955	(36,133)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,225)	75,168	49,208	(190,904)	(68,753)	-	(68,753)
Fund balances beginning of year	163,540	296,005	55,030	322,551	837,126	-	837,126
Fund balances end of year	\$ 161,315	371,173	104,238	131,647	768,373	-	768,373

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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	Transfers and Expendi- tures	Balance End of Year
Drama	\$ 9,161	4,714	6,129	7,746
Speech	903	7,824	6,237	2,490
Choir	455	6,039	5,846	648
Choir Robes	5,928	805	-	6,733
High School Band	-	12,898	11,499	1,399
Band Uniforms Fees	2,992	580	-	3,572
Middle School Band	1	-	-	1
Student Activity	-	438	438	-
Activity Tickets	-	16	16	-
Memory Book	4,797	1,932	2,586	4,143
Cross Country	-	4,040	4,040	-
High School Boys Basketball	3,478	6,280	6,682	3,076
Middle School Boys Basketball	-	666	666	-
High School Football	3,391	35,842	33,820	5,413
Middle School Football	-	6,620	6,620	-
High School Baseball	1,295	5,775	7,070	-
Middle School Baseball	-	695	695	-
High School Boys Track	-	4,984	4,984	-
Middle School Boys Track	-	1,663	1,663	-
Boys Tennis	-	593	593	-
Boys Golf	-	860	860	-
High School Wrestling	2,565	3,889	5,817	637
Middle School Wrestling	-	717	717	-
High School Girls Basketball	1,932	7,653	7,354	2,231
Middle School Girls Basketball	-	1,134	1,134	-
High School Volleyball	3,877	6,131	6,638	3,370
Middle School Volleyball	-	518	518	-
Girls Soccer	-	8,576	8,576	-
High School Softball	523	6,957	5,615	1,865
Middle School Softball	-	1,042	1,042	-
High School Girls Track	-	1,886	1,886	-
Middle School Girls Track	-	1,623	1,623	-
Girls Tennis	-	241	241	-
Girls Golf	-	795	795	-
High School General Athletics	-	5,730	5,730	-
Middle School General Athletics	-	8,812	8,812	-
Booster Club	23,739	35,052	35,882	22,909
Annuals-prior years	2,260	803	-	3,063
Annual 2008	-	85	-	85
Annual 2009	11,250	142	11,392	-
Annual 2010	-	11,412	121	11,291

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Account	Balance Beginning of Year	Revenues	Transfers and Expendi- tures	Balance End of Year
Candy	1,915	2	466	1,451
High School Concessions	11,536	38,097	40,469	9,164
Middle School Concessions	-	14,967	14,967	-
Elem - DG	428	1,341	1,666	103
Union After prom	4,686	10,887	10,201	5,372
FFA	14,791	32,610	31,696	15,705
High School Dance Squad	81	1,185	1,135	131
Fruit/Juice Break	2,040	7,716	9,756	-
Elem - LPC Art Show	221	117	-	338
Silver Chord-HS	42	360	402	-
Elem - LPC	1,606	2,769	2,533	1,842
Magazine sales	-	22,068	22,068	-
Math Club	197	-	-	197
National Honor Society	-	899	899	-
High School Cheerleaders	28	14,183	11,939	2,272
Middle School Cheerleaders	-	666	666	-
Middle School Dance Squad	125	375	500	-
Class of 2009	672	-	672	-
Class of 2010	2,495	681	3,176	-
Class of 2011	3,048	672	3,519	201
Class of 2012	4,202	5	-	4,207
Class of 2013	3,418	4	350	3,072
Class of 2014	2,410	905	-	3,315
Class of 2015	1,425	1,283	-	2,708
Class of 2016	-	728	-	728
Spanish Club	917	-	-	917
Student Council - DG	721	1,821	1,890	652
Student Council - HS	128	1,294	1,135	287
Student Council - LPC	809	1,324	137	1,996
Student Council - MS	10,823	8,413	6,318	12,918
High School Student Pop	5,701	1,300	1,917	5,084
Art Club	3,860	510	692	3,678
German Club	5,943	23,856	25,975	3,824
Talented and Gifted	725	425	669	481
Total	\$ 163,540	397,925	400,150	161,315

UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures and Transfers	Balance End of Year
Bowers Estate	\$ 192,432	33	190,967	1,498
Bader Athletic	2,935	3	-	2,938
Nurse Fund	2,077	-	-	2,077
Larson Estate	23,684	27	-	23,711
Anders Estate	101,423	-	-	101,423
Total	\$ 322,551	63	190,967	131,647

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Capital Project Funds		
	Statewide Sales, Services and Use Tax	Tama and Benton County Local Option Sales and Services Tax	Total Capital Projects
Assets			
Cash and pooled investments	\$ 3,957,208	735,474	4,692,682
Due from other governments	109,517	48,425	157,942
Total assets	\$ 4,066,725	783,899	4,850,624
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,092,196	-	1,092,196
Total liabilities	1,092,196	-	1,092,196
Fund balances:			
Reserved:			
Construction	1,371,217	-	1,371,217
Unreserved	1,603,312	783,899	2,387,211
Total fund balances	2,974,529	783,899	3,758,428
Total liabilities and fund balances	\$ 4,066,725	783,899	4,850,624

SEE ACCOMPANYING INDEPENDENT AUDITOR REPORT

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

	Capital Project Funds				
	Statewide Sales, Services and Use Tax	Tama and Benton County Local Option Sales and Services Tax	Athletic Complex/ Land Purchase	Elementary Playground/ Building Fund	Total Capital Projects
Revenues:					
Local sources:					
Local tax	\$ 685,666	228,911	-	-	914,577
Other	50,977	700	13	48	51,738
Total revenues	<u>736,643</u>	<u>229,611</u>	<u>13</u>	<u>48</u>	<u>966,315</u>
Expenditures:					
Instruction:					
Regular	1,911	7,304	-	-	9,215
Support Services:					
Instructional staff	-	69,507	-	-	69,507
Operation and maintenance of plant	-	3,524	-	-	3,524
Other expenditures:					
Facilities acquisitions	7,426,872	-	-	-	7,426,872
Total expenditures	<u>7,428,783</u>	<u>80,335</u>	<u>-</u>	<u>-</u>	<u>7,509,118</u>
Excess(deficiency) of revenues over(under) expenditures	(6,692,140)	149,276	13	48	(6,542,803)
Other financing sources(uses):					
Transfers in	582,322	-	-	-	582,322
Transfers out	(170,955)	(150,000)	(14,181)	(227,174)	(562,310)
Issuance of BANS	8,800,000	-	-	-	8,800,000
Discount on issuance of BANS	(44,000)	-	-	-	(44,000)
Total other financing sources(uses)	<u>9,167,367</u>	<u>(150,000)</u>	<u>(14,181)</u>	<u>(227,174)</u>	<u>8,776,012</u>
Net change in fund balances	2,475,227	(724)	(14,168)	(227,126)	2,233,209
Fund balances beginning year	<u>499,302</u>	<u>784,623</u>	<u>14,168</u>	<u>227,126</u>	<u>1,525,219</u>
Fund balances end of year	<u>\$ 2,974,529</u>	<u>783,899</u>	<u>-</u>	<u>-</u>	<u>3,758,428</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR REPORT

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2010

	Bader Scholarship	Centennial Scholarship	Anders Scholarship	Ellis Jones Scholarship- Pharmacy	Ellis Jones Scholarship- Academic	Total
Assets						
Cash and pooled investments	\$ 1,567	(76)	14,675	87,270	85,269	188,705
Liabilities	-	-	-	-	-	-
Net Assets						
Unrestricted	\$ 1,567	(76)	14,675	87,270	85,269	188,705

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2010

	Bader Scholarship	Centennial Scholarship	Anders Scholarship	Ellis Jones Scholarship - Pharmacy	Ellis Jones Scholarship - Academic	Total
Additions:						
Local sources:						
Interest	\$ 2	-	134	99	98	333
Deductions:						
Scholarships	250	-	5,200	-	1,000	6,450
Changes in net assets	(248)	-	(5,066)	99	(902)	(6,117)
Net assets beginning of year	1,815	(76)	19,741	87,171	86,171	194,822
Net assets end of year	\$ 1,567	(76)	14,675	87,270	85,269	188,705

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOLS DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2010

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 9,242	6,750	7,546	8,446
Liabilities				
Accounts payable	\$ 375	-	375	-
Due to other groups	8,867	6,750	7,171	8,446
	\$ 9,242	6,750	7,546	8,446

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis						
	Years Ended June 30						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 5,446,833	5,318,917	4,908,032	4,765,008	4,458,264	4,239,101	4,214,060
Tuition	336,776	335,516	323,064	386,344	352,167	294,161	273,420
Other	694,830	735,904	838,629	940,087	818,596	768,189	754,834
Intermediate sources	-	-	162,929	143,732	151,769	165,078	150,789
State sources	5,530,383	6,383,227	5,949,075	5,462,501	5,223,143	5,013,465	4,575,442
Federal sources	873,821	333,882	198,118	213,546	191,224	194,256	208,315
Total	\$ 12,882,643	13,107,446	12,379,847	11,911,218	11,195,163	10,674,250	10,176,860
Expenditures:							
Instruction:							
Regular	\$ 4,951,169	4,960,355	4,637,820	4,634,592	4,528,277	4,406,787	4,512,120
Special	1,342,679	1,602,117	1,251,387	1,364,343	1,295,911	1,249,955	1,121,715
Other	1,507,420	1,162,791	1,244,450	1,127,186	1,126,110	1,008,912	963,921
Support services:							
Student	297,358	318,617	249,800	238,529	231,459	218,384	205,122
Instructional staff	505,336	454,393	365,468	476,019	370,929	363,933	370,491
Administration	1,200,663	1,170,052	1,174,637	1,141,204	1,079,520	995,038	906,163
Operation and maintenance of plant	860,159	879,724	798,996	809,692	882,795	757,981	748,422
Transportation	625,797	807,307	729,181	758,313	719,310	554,188	623,573
Non-instructional programs	11,749	3,916	795	3,571	6,903	3,912	-
Other expenditures:							
Facilities acquisition	7,438,402	596,369	532,857	221,974	60,715	13,956	61,063
Long-term debt:							
Principal	-	430,000	370,000	325,000	290,000	725,000	305,000
Interest and other charges	122,845	17,400	33,650	49,150	63,650	95,673	110,412
AEA flowthrough	536,585	452,298	418,968	392,085	367,601	351,379	368,797
Total	\$ 19,400,162	12,855,339	11,808,009	11,541,658	11,023,180	10,745,098	10,296,799

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 10	\$ 37,126
National School Lunch Program	10.555	FY 10	201,599 *
Special Milk Program for Children	10.556	FY 10	127
			<u>238,852</u>
Team Nutrition Grants	10.574	FY 10	<u>1,672</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY 10	64,149
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09	7,082
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	14,164
			<u>85,395</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	<u>2,567</u>
Tech-Prep Education	84.243	FY 10	<u>100</u>
Improving Teacher Quality State Grants	84.367	FY 10	<u>32,159</u>
Grants for State Assessments and Related Activities	84.369	FY 10	<u>8,229</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 10	<u>566,689</u>
Area Education Agency:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY 10	73,358
ARRA - Special Education Grants to States, Recovery Act	84.391	FY 10	96,778
			<u>170,136</u>
Career and Technical Education - Basic Grants to States	84.048	FY 10	<u>8,146</u>
Educational Technology State Grants	84.318	FY 10	<u>400</u>
Total			<u>\$ 1,114,345</u>

* -Includes \$50,597 in non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT

Education to Meet Tomorrow's Challenges

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 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
Union Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Union Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 11, 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 Union Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Union Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Union Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to 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 described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility 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 item II-A-10 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 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
Union Community School District:

Compliance

We have audited the compliance of Union Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Union Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Union Community School District's management. Our responsibility is to express an opinion on Union Community School District's compliance based on our audit.

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

In our opinion, Union Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Union Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Union Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 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 that 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.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2011

UNION COMMUNITY SCHOOLS DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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 noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Union Community School District did not qualify as a low-risk auditee.

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

Part II: Findings Related to the Financial Statements:

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 receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

UNION COMMUNITY SCHOOLS 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 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 receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District expenditures for the year ended June 30, 2010 did not exceed the certified amounts in the functional areas.

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.

IV-D-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jim Barz, Board Member Brother owns Barz Electric	Electrical Repair	\$1,229
Angela Bechthold, Teacher Nephew runs DJ service	DJ services	\$663
Louis Beck, Teacher Mother owns Breads by Ruth Beck	Supplies	\$2,283
Nancy McFarland, Bus driver Daughter owns La Porte City Printing & Design	Supplies	\$13,666
Nancy McFarland, Bus driver Owns Sunshine Florals	Supplies	\$1,247
Ryan Moody, Teacher Brother owns Moody Boys Bait Shop	Supplies	\$25
Rita Eikamp, Teacher Daughter-in-law owns Simply Blooming	Supplies	\$233
Deb Jungling, Teacher Husband owns Pronto Market	Supplies	\$201
Mike Winter, Bus Driver Owns Winter Auto	Services	\$525

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

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with District employees, Ms. McFarland and Mr. Winter do not appear to represent a conflict of interest.

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 during our audit that interfund transfers were not always approved by the Board prior to the completion of the transfer.

Recommendation - The Board should approve all transfers before they are made.

Response - We will have the Board approve all transfers as required.

Conclusion - Response accepted.

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

IV-H-10 Supplemental 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 filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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 and use tax are as follows:

Beginning Balance	\$	-
Statewide sales, services and use tax revenue		914,577
Expenditures/transfers out:		
School infrastructures:		
Buildings		914,577
Ending Balance	\$	-

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Physical plant and equipment levy	\$ 1.34000	\$ 435,442

IV-M-10 Checks Outstanding - We noted during our audit that the District had checks included in the General Fund, Activity Fund and Nutrition Fund bank reconciliations which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should submit the outstanding checks to the State Treasurer as unclaimed property.

Response - We are addressing outstanding checks of over a year and reissuing or submitting to State Treasurer.

Conclusion - Response accepted.

IV-N-10 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program.

During our audit we noted a transfer from the Student Activity Fund to the General Fund to remove the leftover account balance from an old class account.

Recommendation - The District should make a corrective transfer of \$672.30 from the General Fund to the Student Activity Fund.

Response - We will make the necessary transfer to the Activity Fund from the General Fund.

Conclusion - Response accepted.