

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

JUNE 30, 2011

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Union Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
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	2011
Kathy Krug	District Secretary/Treasurer and Business Manager	2011
Steve Weidner	Attorney	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, 2011, 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, 2011, 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 January 31, 2012 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 seven years ended June 30, 2010 (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.

January 31, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,195,757 at June 30, 2010 to \$11,919,397 at June 30, 2011, while General Fund expenditures increased from \$11,130,103 at June 30, 2010 to \$11,344,525 at June 30, 2011. This resulted in an increase in the District's General Fund balance from \$793,179 in fiscal 2010 to a balance of \$1,368,051 in fiscal 2011.
- The increase in General Fund revenues was attributable to an increase in State revenues in fiscal 2011. The increase in expenditures was due primarily to increased outflows in the support services functional area.

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 and the financial statements for the discretely presented component unit.

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.

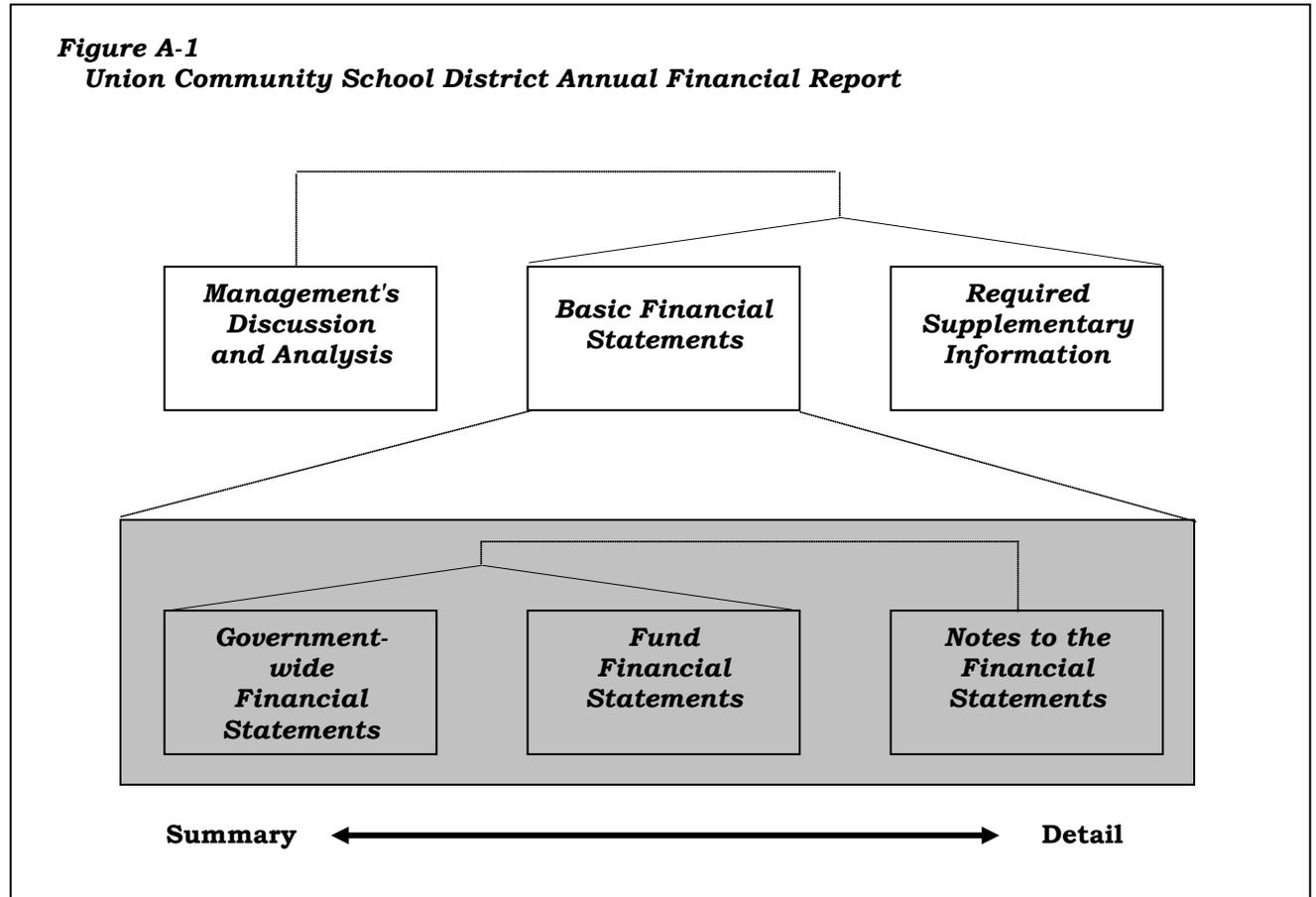


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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.
- *Component unit:* This includes the activities of the Union Community School District portion of the Community Foundation of Northeast Iowa. The District receives significant financial benefits from the Foundation although they are legally separate entities.

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.

- 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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net assets at June 30, 2011 compared to June 30, 2010.

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,	
	2011	2010	2011	2010	2011	2010	2010-11	
Current and other assets	\$ 9,669,831	11,529,910	111,518	66,083	9,781,349	11,595,993	-15.65%	
Capital assets	15,660,984	12,843,971	52,520	59,638	15,713,504	12,903,609	21.78%	
Total assets	<u>25,330,815</u>	<u>24,373,881</u>	<u>164,038</u>	<u>125,721</u>	<u>25,494,853</u>	<u>24,499,602</u>	<u>4.06%</u>	
Long-term obligations	9,502,399	8,841,121	534	241	9,502,933	8,841,362	7.48%	
Other liabilities	5,014,274	5,756,402	13,715	11,952	5,027,989	5,768,354	-12.83%	
Total liabilities	<u>14,516,673</u>	<u>14,597,523</u>	<u>14,249</u>	<u>12,193</u>	<u>14,530,922</u>	<u>14,609,716</u>	<u>-0.54%</u>	
Net assets:								
Invested in capital assets, net of related debt	6,265,984	5,415,188	52,520	59,638	6,318,504	5,474,826	15.41%	
Restricted	2,936,664	3,255,897	-	-	2,936,664	3,255,897	-9.80%	
Unrestricted	1,611,494	1,105,273	97,269	53,890	1,708,763	1,159,163	47.41%	
Total net assets	<u>\$ 10,814,142</u>	<u>9,776,358</u>	<u>149,789</u>	<u>113,528</u>	<u>10,963,931</u>	<u>9,889,886</u>	<u>10.86%</u>	

The District’s combined net assets increased 10.86%, or \$1,074,045, over the prior year. The largest portion of the District’s net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased by \$319,233, or 9.80% from the prior year. The decline in restricted net assets is mostly due to the reduction in Capital Projects fund balance.

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 \$549,600 or 47.41%, over the prior year. This increase in unrestricted net assets was largely a result of the improvement in the General Fund balance during the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to June 30, 2010.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 895,748	869,032	418,394	411,365	1,314,142	1,280,397	2.64%
Operating grants and contributions and restricted interest	1,067,414	2,266,845	256,969	247,160	1,324,383	2,514,005	-47.32%
Capital grants and contributions and restricted interest	-	37,200	-	-	-	37,200	-100.00%
General revenues and transfers:							
Local tax	4,027,139	3,988,118	-	-	4,027,139	3,988,118	0.98%
Income surtax	601,215	579,925	-	-	601,215	579,925	3.67%
Statewide sales, services and use tax	1,075,595	914,577	-	-	1,075,595	914,577	17.61%
Unrestricted state grants	5,661,784	4,166,923	-	-	5,661,784	4,166,923	35.87%
Nonspecific program federal revenues	375,813	-	-	-	375,813	-	100.00%
Unrestricted interest revenue	4,871	22,853	71	55	4,942	22,908	-78.43%
Other general revenue	130,655	75,613	3,263	2,838	133,918	78,451	70.70%
Transfers	(101,271)	(11,027)	(854)	11,027	(102,125)	-	100.00%
Total revenues and transfers	<u>13,738,963</u>	<u>12,910,059</u>	<u>677,843</u>	<u>672,445</u>	<u>14,416,806</u>	<u>13,582,504</u>	<u>6.14%</u>
Program expenses:							
Governmental activities:							
Instructional	7,915,966	7,812,834	-	-	7,915,966	7,812,834	1.32%
Support services	3,634,139	3,601,588	13,300	11,672	3,647,439	3,613,260	0.95%
Non-instructional programs	955	11,749	628,282	618,427	629,237	630,176	-0.15%
Other expenses	1,150,119	963,174	-	-	1,150,119	963,174	19.41%
Total expenses	<u>12,701,179</u>	<u>12,389,345</u>	<u>641,582</u>	<u>630,099</u>	<u>13,342,761</u>	<u>13,019,444</u>	<u>2.48%</u>
Change in net assets	1,037,784	520,714	36,261	42,346	1,074,045	563,060	90.75%
Net assets beginning of year, as restated	<u>9,776,358</u>	<u>9,255,644</u>	<u>113,528</u>	<u>71,182</u>	<u>9,889,886</u>	<u>9,326,826</u>	<u>6.04%</u>
Net assets end of year	<u>\$ 10,814,142</u>	<u>9,776,358</u>	<u>149,789</u>	<u>113,528</u>	<u>10,963,931</u>	<u>9,889,886</u>	<u>10.86%</u>

In fiscal 2011, local tax and unrestricted state grants account for 70.52% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.63% of the revenue from business type activities.

The District's total revenues were \$14,416,806, of which \$13,738,963 was for governmental activities and \$677,843 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.14% increase in revenues and a 2.48% increase in expenditures. The increase in expenses is primarily related to increases in support services expenditures during the year.

Governmental Activities

Revenues for governmental activities were \$13,738,963 and expenses were \$12,701,179.

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, 2011 compared to the year ended June 30, 2010.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 7,915,966	7,812,834	1.32%	6,577,821	5,303,232	24.03%
Support services	3,634,139	3,601,588	0.90%	3,560,324	3,511,898	1.38%
Non-instructional	955	11,749	-91.87%	955	11,749	-91.87%
Other expenses	1,150,119	963,174	19.41%	598,917	389,389	53.81%
Totals	\$ 12,701,179	12,389,345	2.52%	10,738,017	9,216,268	16.51%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$895,748.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,067,414.
- The net cost of governmental activities was financed with \$4,628,354 in local tax, \$1,075,595 in statewide sales, services and use tax, \$5,661,784 in unrestricted state grants, \$375,813 in nonspecific program federal revenues, \$4,871 in interest income, and \$29,384 in other general revenues net of transfers.

Business type Activities

Revenues of the District's business type activities were \$677,843 and expenses were \$641,582. 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 \$4,136,533, below last year's ending fund balances of \$5,319,980. The primary reason for the decrease in combined fund balances in fiscal 2011 is the decrease in the Capital Projects Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Revenues from state sources increased significantly while the District was able to limit the increase in expenditures during the year; which helped to generate the \$574,872 increase in fund balance.
- The Debt Service Fund balance increased from \$0 at the end of fiscal year 2010 to \$847,033 at the end of fiscal year 2011. The increase was due in part to the debt sinking requirements associated with the revenue bonds issued during the year.
- The Capital Projects Fund balance decreased from a restated balance of \$3,862,666 at June 30, 2010 to \$1,354,091 at June 30, 2011. The decrease in fund balance can be attributed to the continued expenditures associated with various construction projects which were completed during the year.

Proprietary Funds Highlights

- The School Nutrition Fund net assets increased from \$113,528 at June 30, 2010 to \$149,789 at June 30, 2011, representing an increase of 31.94%.

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 Revenue Bonds used to repay Bond Anticipation Notes issued in the prior year.

The District's revenues were \$319,813 less than budgeted revenues, a variance of 2.17%. 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, 2011, the District had invested \$15,713,504, 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 \$400,766.

The original cost of the District's capital assets was \$26,838,934. Governmental funds account for \$26,600,528 with the remainder of \$238,406 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 \$7,645,631 at June 30, 2010, compared to \$196,112 reported at June 30, 2011.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 53,729	53,729	-	-	53,729	53,729	0.00%
Construction in progress	196,112	7,645,631	-	-	196,112	7,645,631	-97.43%
Buildings	11,023,875	4,444,931	-	-	11,023,875	4,444,931	148.01%
Land improvements	3,477,306	66,332	-	-	3,477,306	66,332	5142.28%
Machinery and equipment	909,962	633,348	52,520	59,638	962,482	692,986	38.89%
Total	\$ 15,660,984	12,843,971	52,520	59,638	15,713,504	12,903,609	21.78%

Long-Term Debt

At June 30, 2011, the District had \$9,502,933 in total long-term debt outstanding. This represents an increase of 7.48% 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, 2011, the District issued \$9,900,000 of revenue bonds to repay the bond anticipation notes issued in the prior year and cover expenses associated with the completion of various construction projects.

The District had total outstanding early retirement payable of \$99,143 at June 30, 2011. Of that total, \$33,909 is payable from the General Fund and \$65,234 is payable from the Special Revenue, Management Levy Fund.

In accordance with GASB Statement No. 45, the OPEB liability increased \$4,821 during fiscal 2011. At June 30, 2011, the total liability facing the District for other postemployment benefits was \$8,790.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Bond anticipation notes (BANS)	\$ -	8,800,000	-	-	-	8,800,000	-100.00%
Revenue bonds	9,395,000	-	-	-	9,395,000	-	100.00%
Early retirement	99,143	37,393	-	-	99,143	37,393	165.14%
Net OPEB liability	8,256	3,728	534	241	8,790	3,969	121.47%
Total	\$ 9,502,399	8,841,121	534	241	9,502,933	8,841,362	7.48%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has been experiencing declining enrollment which adversely affects District funding.
- 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, 2011

	Primary Government			Component Unit
	Govern- mental Activities	Business type Activities	Total	Union Community School District Foundation
Assets				
Cash and pooled investments	\$ 4,367,161	88,780	4,455,941	163,694
Receivables:				
Property tax:				
Delinquent	56,299	-	56,299	-
Succeeding year	4,229,427	-	4,229,427	-
Income surtax	544,125	-	544,125	-
Accounts	580	2,744	3,324	-
Due from other governments	472,239	-	472,239	-
Inventories	-	19,994	19,994	-
Capital assets, net of accumulated depreciation	15,660,984	52,520	15,713,504	-
Total assets	25,330,815	164,038	25,494,853	163,694
Liabilities				
Accounts payable	168,191	1,713	169,904	-
Salaries and benefits payable	590,984	-	590,984	-
Accrued interest payable	25,101	-	25,101	-
Unearned revenue	-	12,002	12,002	-
Deferred revenue:				
Succeeding year property tax	4,229,427	-	4,229,427	-
Other	571	-	571	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds payable	405,000	-	405,000	-
Early retirement payable	99,143	-	99,143	-
Portion due after one year:				
Revenue bonds payable	8,990,000	-	8,990,000	-
Net OPEB liability	8,256	534	8,790	-
Total liabilities	14,516,673	14,249	14,530,922	-
Net Assets				
Invested in capital assets, net of related debt	6,265,984	52,520	6,318,504	-
Restricted for:				
Categorical funding	233,416	-	233,416	-
Debt service	847,033	-	847,033	-
Management levy purposes	331,166	-	331,166	-
Student activities	142,454	-	142,454	-
Other special purposes	28,504	-	28,504	-
School infrastructure	1,231,721	-	1,231,721	-
Physical plant and equipment	122,370	-	122,370	-
Unrestricted	1,611,494	97,269	1,708,763	163,694
Total net assets	\$ 10,814,142	149,789	10,963,931	163,694

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Primary Government		Component Unit Union Community School District Foundation
				Gov- ern- men- tal Activities	Busi- ness Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 4,942,406	342,017	128,405	(4,471,984)	-	(4,471,984)
Special	1,464,316	-	238,040	(1,226,276)	-	(1,226,276)
Other	1,509,244	486,170	143,513	(879,561)	-	(879,561)
	<u>7,915,966</u>	<u>828,187</u>	<u>509,958</u>	<u>(6,577,821)</u>	<u>-</u>	<u>(6,577,821)</u>
Support services:						
Student	310,429	-	-	(310,429)	-	(310,429)
Instructional staff	445,784	-	-	(445,784)	-	(445,784)
Administration	1,309,532	-	-	(1,309,532)	-	(1,309,532)
Operation and maintenance of plant	951,795	-	-	(951,795)	-	(951,795)
Transportation	616,599	67,561	6,254	(542,784)	-	(542,784)
	<u>3,634,139</u>	<u>67,561</u>	<u>6,254</u>	<u>(3,560,324)</u>	<u>-</u>	<u>(3,560,324)</u>
Non-instructional programs:						
Food service and other enterprise operations	955	-	-	(955)	-	(955)
Other expenditures:						
Long-term debt interest	273,361	-	-	(273,361)	-	(273,361)
AEA flowthrough	551,202	-	551,202	-	-	-
Depreciation(unallocated)*	325,556	-	-	(325,556)	-	(325,556)
	<u>1,150,119</u>	<u>-</u>	<u>551,202</u>	<u>(598,917)</u>	<u>-</u>	<u>(598,917)</u>
Total governmental activities	<u>12,701,179</u>	<u>895,748</u>	<u>1,067,414</u>	<u>(10,738,017)</u>	<u>-</u>	<u>(10,738,017)</u>
Business type activities:						
Support services:						
Student	1,649	-	-	-	(1,649)	(1,649)
Administration	3,564	-	-	-	(3,564)	(3,564)
Operation and maintenance of plant	8,087	-	-	-	(8,087)	(8,087)
Non-instructional programs:						
Nutrition services	628,282	418,394	256,969	-	47,081	47,081
Total business type activities	<u>641,582</u>	<u>418,394</u>	<u>256,969</u>	<u>-</u>	<u>33,781</u>	<u>33,781</u>
Total primary government	<u>\$ 13,342,761</u>	<u>1,314,142</u>	<u>1,324,383</u>	<u>(10,738,017)</u>	<u>33,781</u>	<u>(10,704,236)</u>
Total component unit	<u>\$ 24,999</u>	<u>-</u>	<u>15,850</u>	<u>-</u>	<u>-</u>	<u>(9,149)</u>
General Revenues and Transfers:						
General Revenues:						
Local tax for:						
General purposes			\$ 3,920,473	-	3,920,473	-
Capital outlay			106,666	-	106,666	-
Income surtax			601,215	-	601,215	-
Statewide sales, services and use tax			1,075,595	-	1,075,595	-
Unrestricted state grants			5,661,784	-	5,661,784	-
Nonspecific program federal revenues			375,813	-	375,813	-
Unrestricted investment earnings			4,871	71	4,942	3,933
Unrealized gain			-	-	-	21,591
Other general revenue			130,655	3,263	133,918	-
Transfers			(101,271)	(854)	(102,125)	-
Total general revenues and transfers			<u>11,775,801</u>	<u>2,480</u>	<u>11,778,281</u>	<u>25,524</u>
Changes in net assets			<u>1,037,784</u>	<u>36,261</u>	<u>1,074,045</u>	<u>16,375</u>
Net assets beginning of year			<u>9,776,358</u>	<u>113,528</u>	<u>9,889,886</u>	<u>147,319</u>
Net assets end of year			<u>\$ 10,814,142</u>	<u>149,789</u>	<u>10,963,931</u>	<u>163,694</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, 2011

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 1,747,461	847,033	1,200,420	572,247	4,367,161
Receivables:					
Property tax:					
Delinquent	51,857	-	1,519	2,923	56,299
Succeeding year	3,866,933	-	112,494	250,000	4,229,427
Income surtax	544,125	-	-	-	544,125
Accounts	-	-	-	580	580
Due from other governments	189,386	-	282,853	-	472,239
Total assets	\$ 6,399,762	847,033	1,597,286	825,750	9,669,831
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 29,098	-	130,701	8,392	168,191
Salaries and benefits payable	590,984	-	-	-	590,984
Deferred revenue:					
Succeeding year property tax	3,866,933	-	112,494	250,000	4,229,427
Income surtax	544,125	-	-	-	544,125
Other	571	-	-	-	571
Total liabilities	5,031,711	-	243,195	258,392	5,533,298
Fund balances:					
Restricted for:					
Categorical Funding	233,416	-	-	-	233,416
Debt service	-	847,033	-	-	847,033
Management levy purposes	-	-	-	396,400	396,400
Student activities	-	-	-	142,454	142,454
Other special purposes	-	-	-	28,504	28,504
School infrastructure	-	-	1,231,721	-	1,231,721
Physical plant and equipment	-	-	122,370	-	122,370
Unassigned	1,134,635	-	-	-	1,134,635
Total fund balances	1,368,051	847,033	1,354,091	567,358	4,136,533
Total liabilities and fund balances	\$ 6,399,762	847,033	1,597,286	825,750	9,669,831

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20) \$ 4,136,533

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

Capital assets used in governmental activities are not
 financial resources and, therefore, are not reported as
 assets in the governmental funds. 15,660,984

Accounts receivable income surtax, are not yet available
 to finance expenditures of the current fiscal period. 544,125

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. (25,101)

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 (9,502,399)

Net assets of governmental activities(page 18) \$ 10,814,142

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 4,234,750	-	1,182,261	209,174	5,626,185
Tuition	355,847	-	-	-	355,847
Other	268,100	569	2,422	449,404	720,495
State sources	6,413,992	-	67	130	6,414,189
Federal sources	644,246	-	-	-	644,246
Total revenues	<u>11,916,935</u>	<u>569</u>	<u>1,184,750</u>	<u>658,708</u>	<u>13,760,962</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,777,571	-	9,986	111,471	4,899,028
Special	1,464,316	-	-	-	1,464,316
Other	1,130,894	-	4,445	428,430	1,563,769
	<u>7,372,781</u>	<u>-</u>	<u>14,431</u>	<u>539,901</u>	<u>7,927,113</u>
Support services:					
Student	309,685	-	-	630	310,315
Instructional staff	473,383	-	38,137	20,056	531,576
Administration	1,151,330	59,589	5	23,777	1,234,701
Operation and maintenance of plant	887,369	-	21,885	58,773	968,027
Transportation	596,148	-	103,372	11,795	711,315
	<u>3,417,915</u>	<u>59,589</u>	<u>163,399</u>	<u>115,031</u>	<u>3,755,934</u>
Non-instructional programs:					
Food service and other enterprise operations	955	-	-	-	955
Other expenditures:					
Facilities acquisitions	-	-	2,864,149	-	2,864,149
Long-term debt:					
Principal	-	9,305,000	-	-	9,305,000
Interest and fiscal charges	-	265,562	-	-	265,562
AEA flowthrough	551,202	-	-	-	551,202
	<u>551,202</u>	<u>9,570,562</u>	<u>2,864,149</u>	<u>-</u>	<u>12,985,913</u>
Total expenditures	<u>11,342,853</u>	<u>9,630,151</u>	<u>3,041,979</u>	<u>654,932</u>	<u>24,669,915</u>
Excess(deficiency)of revenues over(under) expenditures	574,082	(9,629,582)	(1,857,229)	3,776	(10,908,953)
Other financing sources(uses):					
Transfer in	954	1,672,146	973,832	6,446	2,653,378
Transfer out	(1,672)	-	(2,645,978)	(106,999)	(2,754,649)
Bond issuance	-	8,800,000	1,100,000	-	9,900,000
Discount on bond issuance	-	-	(79,200)	-	(79,200)
Accrued interest on bond issuance	-	4,469	-	-	4,469
Sale of equipment	1,508	-	-	-	1,508
Total other financing sources(uses)	<u>790</u>	<u>10,476,615</u>	<u>(651,346)</u>	<u>(100,553)</u>	<u>9,725,506</u>
Net change in fund balances	574,872	847,033	(2,508,575)	(96,777)	(1,183,447)
Fund balances beginning of year, as restated	793,179	-	3,862,666	664,135	5,319,980
Fund balances end of year	<u>\$ 1,368,051</u>	<u>847,033</u>	<u>1,354,091</u>	<u>567,358</u>	<u>4,136,533</u>

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ (1,183,447)

**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	\$ 3,203,821	
Depreciation expense	(386,808)	2,817,013

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 77,764

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	(61,750)	
Other postemployment benefits	(4,528)	(66,278)

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

Issued	(9,900,000)	
Repaid	9,305,000	(595,000)

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. (12,268)

Change in net assets of governmental activities(page 19) \$ 1,037,784

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 88,780
Accounts receivable	2,744
Inventories	19,994
Capital assets, net of accumulated depreciation	<u>52,520</u>
Total assets	<u><u>164,038</u></u>
Liabilities	
Accounts payable	1,713
Unearned revenue	12,002
Net OPEB liability	<u>534</u>
Total liabilities	<u><u>14,249</u></u>
Net Assets	
Invested in capital assets	52,520
Unrestricted	<u>97,269</u>
Total net assets	<u><u>\$ 149,789</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 418,394
Miscellaneous	3,263
Total operating revenues	421,657
Operating expenses:	
Support services:	
Student:	
Services	1,649
Administration:	
Services	3,564
Operation and maintenance of plant:	
Services	8,087
	13,300
Non-instructional programs:	
Food service operations:	
Salaries	170,683
Benefits	119,125
Services	283
Supplies	324,083
Depreciation	13,958
Other	150
	628,282
Total operating expenses	641,582
Operating loss	(219,925)
Non-operating revenues:	
State sources	5,965
Federal sources	251,004
Interest income	71
Total non-operating revenues	257,040
Change in net assets before other financing uses	37,115
Other financing uses:	
Transfer out	(854)
	36,261
Increase in net assets	36,261
Net assets beginning of year	113,528
Net assets end of year	\$ 149,789

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 417,195
Cash received from miscellaneous operating activities	3,263
Cash payments to employees for services	(289,515)
Cash payments to suppliers for goods or services	(292,998)
Net cash used by operating activities	(162,055)
Cash flows from non-capital financing activities:	
State grants received	5,965
Federal grants received	205,231
Transfer out to General Fund	(854)
Net cash provided by non-capital financing activities	210,342
Cash flows from capital financing activities:	
Acquisition of capital assets	(6,840)
Cash flows from investing activities:	
Interest on investment	71
Net increase in cash and cash equivalents	41,518
Cash and cash equivalents beginning of year	47,262
Cash and cash equivalents end of year	\$ 88,780
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (219,925)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	45,773
Depreciation	13,958
Increase in inventories	(1,983)
Increase in accounts receivable	(1,934)
Increase in accounts payable	1,028
Increase in unearned revenue	735
Increase in net OPEB liability	293
Net cash used by operating activities	\$ (162,055)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received \$45,773 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Private Purpose Trust	Agency
	Scholarship	
Assets		
Cash and pooled investments	\$ 287,196	7,801
Liabilities		
Due to other groups	-	7,801
Net Assets		
Reserved for scholarships	\$ 287,196	-

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 1,475
Interest income	306
Total additions	1,781
Deductions:	
Scholarships	5,415
Change in net assets before other financing sources(uses)	(3,634)
Other financing sources(uses):	
Transfer in	103,957
Transfer out	(1,832)
Total other financing sources(uses)	102,125
Change in net assets	98,491
Net assets beginning of year	188,705
Net assets end of year	\$ 287,196

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(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.

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 in 2006 to raise money through contributions and fundraisers to benefit the District. The Foundation is a component fund within the Community Foundation of Waterloo/Cedar Falls and Northeast Iowa, 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. Combining schedules are also included for the Capital Project Fund accounts.

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 Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's long-term debt.

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

The District reports the following proprietary fund:

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - assigned and then unassigned fund balances.

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the 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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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, 2011 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, 2011 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$4,249,359 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 2010-11A warrants was 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. The District did not have any ISCAP advance activity during the year ended June 30, 2011.

(4) Transfers

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Activity	General	\$ 1,672
Special Revenue: Activity	Special Revenue: Support Trust	2,942
General	Nutrition	854
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	1,672,146
Capital Projects: Statewide Sales, Services and Use Tax	Capital Projects: Tama & Benton County Local Option Sales and Services Tax	973,832
General	Special Revenue: Activity	100
Private Purpose Trust	Special Revenue: Activity	2,415
Private Purpose Trust	Special Revenue: Support Trust	101,542
Special Revenue: Support Trust	Private Purpose Trust	<u>1,832</u>
Total		<u>\$ 2,757,335</u>

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

The General Fund transferred monies to the Special Revenue, Student Activity Fund for a corrective transfer requested in the prior year audit.

The Special Revenue, Support Trust Fund transferred monies to the Special Revenue, Student Activity Fund for athletic expenses.

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

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 Special Revenue, Student Activity Fund transferred monies that were originally fundraised for FFA scholarships to the Private Purpose Trust Fund.

The Special Revenue, Support Trust Fund transferred monies to the Private Purpose Trust Fund to reconcile trust accounts with the requests of the original donors.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 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	7,645,631	2,865,404	10,314,923	196,112
Total capital assets not being depreciated	7,699,360	2,865,404	10,314,923	249,841
Capital assets being depreciated:				
Buildings	9,486,346	6,724,975	-	16,211,321
Land improvements	1,246,048	3,590,499	-	4,836,547
Machinery and equipment	4,964,953	337,866	-	5,302,819
Total capital assets being depreciated	15,697,347	10,653,340	-	26,350,687
Less accumulated depreciation for:				
Buildings	5,041,415	146,031	-	5,187,446
Land improvements	1,179,716	179,525	-	1,359,241
Machinery and equipment	4,331,605	61,252	-	4,392,857
Total accumulated depreciation	10,552,736	386,808	-	10,939,544
Total capital assets being depreciated, net	5,144,611	10,266,532	-	15,411,143
Governmental activities capital assets, net	\$ 12,843,971	13,131,936	10,314,923	15,660,984
Business type activities:				
Machinery and equipment	\$ 231,566	6,840	-	238,406
Less accumulated depreciation	171,928	13,958	-	185,886
Business type activities capital assets, net	\$ 59,638	(7,118)	-	52,520

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 9,076
Other		13,631
Support services:		
Instructional staff		21,476
Administration		1,266
Transportation		15,803
		<u>61,252</u>
Unallocated depreciation		<u>325,556</u>
		<u>\$ 386,808</u>
Business type activities:		
Food services		<u>\$ 13,958</u>

(6) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Bond anticipation notes (BANS)	\$ 8,800,000	-	8,800,000	-	-
Revenue bonds	-	9,900,000	505,000	9,395,000	405,000
Early retirement	37,393	99,143	37,393	99,143	99,143
Net OPEB liability	3,728	4,528	-	8,256	-
Total	<u>\$ 8,841,121</u>	<u>10,003,671</u>	<u>9,342,393</u>	<u>9,502,399</u>	<u>504,143</u>
Business type activities:					
Net OPEB liability	\$ 241	293	-	534	-

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated October 6, 2010			
	Interest Rates	Principal	Interest	Total
2012	2.000 %	\$ 405,000	301,209	706,209
2013	2.000	410,000	293,109	703,109
2014	2.000	415,000	284,909	699,909
2015	2.000	420,000	276,608	696,608
2016	3.000	430,000	268,209	698,209
2017-2021	3.000-3.125	2,380,000	1,136,744	3,516,744
2022-2026	3.300-3.750	2,880,000	722,265	3,602,265
2027-2029	3.750-4.000	2,055,000	165,162	2,220,162
Total		<u>\$ 9,395,000</u>	<u>3,448,215</u>	<u>12,843,215</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$9,900,000 of bonds issued October 6, 2010. The bonds were issued for the purpose of repaying \$8,800,000 of revenue bond anticipation notes issued in the prior

year and to finance a portion of the construction costs associated with various construction projects. There were no savings expected from the repayment of the bond anticipation notes. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 66% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$12,843,215. For the current year, principal of \$505,000 and interest of \$207,539 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,075,595.

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

- a) \$743,600 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The remaining bond proceeds may be used to pay the cost of issuance of the bonds.
- b) The District is required to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any statewide sales, services and use tax revenue remaining after the required transfer to the sinking account may be used for any lawful purpose.

Early Retirement

The District offered a voluntary early retirement plan to its certified employees and support staff. 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, 2011, totaled \$37,393. 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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$397,452, \$383,973 and \$362,387 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, 2011, 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	238
Adjustment to annual required contribution	(214)
Annual OPEB cost	<u>13,540</u>
Contributions made	<u>(8,719)</u>
Increase in net OPEB obligation	4,821
Net OPEB obligation beginning of year	<u>3,969</u>
Net OPEB obligation end of year	<u><u>\$ 8,790</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$8,719 to the medical plan. Plan members eligible for benefits contributed \$48,893 or 84.88% 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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 13,516	70.63%	\$ 3,969
2011	13,540	64.39%	8,790

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$4,877,092 and the ratio of the UAAL to covered payroll was 2.66%. As of June 30, 2011, 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 started 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 \$551,202 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(11) Construction Commitment

The District has entered into various contracts for the weight room project totaling \$624,618. As of June 30, 2011, costs of \$189,844 have been incurred against the contracts. The balance of \$434,744 remaining at June 30, 2011 will be paid as work on the project progresses. The total cost of the new project will be added to the District's fixed asset listing upon completion.

(12) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2011 are as follows:

Project	Amount
Weighted Limited English Proficient	\$ 6,435
Home School Assistance Program	1,466
Weighted At-Risk Programs	79,500
Gifted and Talented Programs	10,774
Returning Dropouts and Dropout Prevention Programs	41,706
Teacher Salary Supplement	50,053
Professional Development for Model Core Curriculum	31,368
Professional Development	5,731
Market Factor Incentives	6,383
Total	<u>\$ 233,416</u>

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of the fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously stated	\$ 3,758,428	104,238
Change in fund type classification per implementation of GASB Statement No. 54	104,238	(104,238)
Balances July 1, 2010, as restated	<u>\$ 3,862,666</u>	<u>-</u>

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, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 6,702,527	421,728	7,124,255	7,309,991	7,309,991	(185,736)
Intermediate sources	-	-	-	900	900	(900)
State sources	6,414,189	5,965	6,420,154	7,031,276	7,031,276	(611,122)
Federal sources	644,246	251,004	895,250	417,305	417,305	477,945
Total revenues	13,760,962	678,697	14,439,659	14,759,472	14,759,472	(319,813)
Expenditures/Expenses:						
Instruction	7,927,113	-	7,927,113	8,911,399	8,911,399	984,286
Support services	3,755,934	13,300	3,769,234	4,142,200	4,142,200	372,966
Non-instructional programs	955	628,282	629,237	782,728	782,728	153,491
Other expenditures	12,985,913	-	12,985,913	4,746,887	14,046,887	1,060,974
Total expenditures/expenses	24,669,915	641,582	25,311,497	18,583,214	27,883,214	2,571,717
Excess(deficiency) of revenues over(under) expenditures/expenses	(10,908,953)	37,115	(10,871,838)	(3,823,742)	(13,123,742)	2,251,904
Other financing sources(uses), net	9,725,506	(854)	9,724,652	5,000	5,000	9,719,652
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	(1,183,447)	36,261	(1,147,186)	(3,818,742)	(13,118,742)	11,971,556
Balances beginning of year	5,319,980	113,528	5,433,508	6,119,379	6,119,379	(685,871)
Balances end of year	\$ 4,136,533	149,789	4,286,322	2,300,637	(6,999,363)	11,285,685

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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 \$9,300,000.

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		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 129,719	129,719	0.00%	\$ 4,846,488	2.68%
2011	July 1, 2009	-	129,719	129,719	0.00%	4,877,092	2.66%

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, 2011

	<u>Union Community School District Foundation</u>
Assets	
Cash and pooled investments	\$ 163,694
Liabilities	<u>-</u>
Net Assets	
Unrestricted	<u>\$ 163,694</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, 2011

	Union Community School District Foundation
Revenues:	
Contributions	\$ 15,850
Expenses:	
Tuition payments/Scholarships	22,898
Administrative services	2,101
Total expenses	24,999
Operating income	(9,149)
Non-operating revenues(expenses):	
Unrealized gain	21,591
Interest income	3,933
Total non-operating revenues(expenses)	25,524
Changes in net assets	16,375
Net assets beginning of year	147,319
Net assets end of year	\$ 163,694

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

OTHER SUPPLEMENTARY INFORMATION

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue			
	Student Activity	Manage- ment Levy	Support Trust	Total
Assets				
Cash and pooled investments	\$ 149,841	393,902	28,504	572,247
Receivables:				
Property tax:				
Delinquent	-	2,923	-	2,923
Succeeding year	-	250,000	-	250,000
Accounts	580	-	-	580
Total assets	\$ 150,421	646,825	28,504	825,750
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 7,967	425	-	8,392
Deferred revenue:				
Succeeding year property tax	-	250,000	-	250,000
Total liabilities	7,967	250,425	-	258,392
Fund Balances:				
Restricted for:				
Management levy purposes	-	396,400	-	396,400
Student activities	142,454	-	-	142,454
Other special purposes	-	-	28,504	28,504
Total fund balances	142,454	396,400	28,504	567,358
Total liabilities and fund balances	\$ 150,421	646,825	28,504	825,750

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue			Total
	Student Activity	Management Levy	Support Trust	
Revenues:				
Local sources:				
Local tax	\$ -	209,174	-	209,174
Other	437,358	12,015	31	449,404
State sources	-	130	-	130
Total revenues	437,358	221,319	31	658,708
Expenditures:				
Current:				
Instruction:				
Regular	-	111,471	-	111,471
Other	427,908	-	522	428,430
Support services:				
Student	630	-	-	630
Instructional staff	992	19,064	-	20,056
Administration	23,777	-	-	23,777
Operation and maintenance of plant	5,011	53,762	-	58,773
Transportation	-	11,795	-	11,795
Total expenditures	458,318	196,092	522	654,932
Excess(deficiency) of revenues over(under) expenditures	(20,960)	25,227	(491)	3,776
Other financing sources(uses):				
Transfer in	4,614	-	1,832	6,446
Transfer out	(2,515)	-	(104,484)	(106,999)
Total other financing sources(uses)	2,099	-	(102,652)	(100,553)
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	(18,861)	25,227	(103,143)	(96,777)
Fund balances beginning of year, as restated	161,315	371,173	131,647	664,135
Fund balances end of year	\$ 142,454	396,400	28,504	567,358

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,065,472	134,948	1,200,420
Receivables:			
Property tax:			
Delinquent	-	1,519	1,519
Succeeding year	-	112,494	112,494
Due from other governments	282,853	-	282,853
Total assets	\$ 1,348,325	248,961	1,597,286
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 116,604	14,097	130,701
Deferred revenue:			
Succeeding year property tax	-	112,494	112,494
Total liabilities	116,604	126,591	243,195
Fund balances:			
Restricted for:			
School infrastructure	1,231,721	-	1,231,721
Physical plant and equipment	-	122,370	122,370
Total fund balances	1,231,721	122,370	1,354,091
Total liabilities and fund balances	\$ 1,348,325	248,961	1,597,286

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Tama and Benton County Local Option Sales and Services Tax	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 796,540	279,055	106,666	1,182,261
Other	2,320	-	102	2,422
State sources	-	-	67	67
Total revenues	<u>798,860</u>	<u>279,055</u>	<u>106,835</u>	<u>1,184,750</u>
Expenditures:				
Instruction:				
Regular	-	-	9,986	9,986
Other	-	-	4,445	4,445
Support Services:				
Instructional staff	-	-	38,137	38,137
Administration	5	-	-	5
Operation and maintenance of plant	-	-	21,885	21,885
Transportation	-	89,122	14,250	103,372
Other expenditures:				
Facilities acquisitions	2,864,149	-	-	2,864,149
Total expenditures	<u>2,864,154</u>	<u>89,122</u>	<u>88,703</u>	<u>3,041,979</u>
Excess(deficiency) of revenues over(under) expenditures	(2,065,294)	189,933	18,132	(1,857,229)
Other financing sources(uses):				
Transfers in	973,832	-	-	973,832
Transfers out	(1,672,146)	(973,832)	-	(2,645,978)
Issuance of bonds	1,100,000	-	-	1,100,000
Discount on issuance of bonds	(79,200)	-	-	(79,200)
Total other financing sources(uses)	<u>322,486</u>	<u>(973,832)</u>	<u>-</u>	<u>(651,346)</u>
Net change in fund balances	(1,742,808)	(783,899)	18,132	(2,508,575)
Fund balances beginning year, as restated	<u>2,974,529</u>	<u>783,899</u>	<u>104,238</u>	<u>3,862,666</u>
Fund balances end of year	<u>\$ 1,231,721</u>	<u>-</u>	<u>122,370</u>	<u>1,354,091</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Transfers and Revenues	Transfers and Expendi- tures	Balance End of Year
Drama	\$ 7,746	11,859	10,493	9,112
Speech	2,490	6,630	4,707	4,413
Choir	648	7,624	6,202	2,070
Choir Robes	6,733	1,074	1,309	6,498
High School Band	1,399	17,192	17,862	729
Band Uniforms Fees	3,572	1,465	1,069	3,968
Middle School Band	1	-	-	1
Student Activity	-	460	460	-
Memory Book	4,143	2,619	2,790	3,972
Cross Country	-	2,810	2,810	-
High School Boys Basketball	3,076	7,362	7,148	3,290
Middle School Boys Basketball	-	509	509	-
High School Football	5,413	45,115	42,299	8,229
Middle School Football	-	4,179	4,179	-
High School Baseball	-	7,946	7,306	640
Middle School Baseball	-	358	358	-
High School Boys Track	-	15,703	15,606	97
Middle School Boys Track	-	2,642	2,642	-
Boys Tennis	-	512	512	-
Boys Golf	-	1,073	1,073	-
High School Wrestling	637	5,481	6,118	-
Middle School Wrestling	-	258	258	-
High School Girls Basketball	2,231	5,095	4,490	2,836
Middle School Girls Basketball	-	599	599	-
High School Volleyball	3,370	6,874	6,419	3,825
Middle School Volleyball	-	2,126	2,126	-
Girls Soccer	-	8,094	7,225	869
High School Softball	1,865	5,334	6,737	462
Middle School Softball	-	161	161	-
High School Girls Track	-	4,677	4,159	518
Middle School Girls Track	-	1,141	1,141	-
Girls Tennis	-	512	512	-
Girls Golf	-	993	993	-
High School General Athletics	-	4,531	4,531	-
Middle School General Athletics	-	11,750	8,809	2,941
Booster Club	22,909	37,977	47,182	13,704
Annuals-prior years	3,063	63	-	3,126
Annual 2008	85	-	85	-
Annual 2010	11,291	188	11,075	404
Annual 2011	-	11,992	4,415	7,577

Account	Balance Beginning of Year	Transfers and Revenues	Transfers and Expendi- tures	Balance End of Year
Candy	1,451	1	-	1,452
High School Concessions	9,164	49,834	55,718	3,280
Middle School Concessions	-	22,771	18,251	4,520
Elem - DG	103	1,481	1,584	-
Union After prom	5,372	11,595	15,217	1,750
FFA	15,705	26,486	30,571	11,620
High School Dance Squad	131	1,432	1,563	-
Fruit/Juice Break	-	6,815	5,812	1,003
Elem - LPC Art Show	338	122	75	385
Silver Chord-HS	-	257	257	-
Elem - LPC	1,842	2,514	2,708	1,648
Magazine sales	-	19,194	19,194	-
Math Club	197	-	48	149
National Honor Society	-	1,750	1,157	593
High School Cheerleaders	2,272	15,488	14,188	3,572
Middle School Cheerleaders	-	2,778	2,672	106
Middle School Dance Squad	-	598	598	-
Class of 2011	201	-	201	-
Class of 2012	4,207	1,402	5,609	-
Class of 2013	3,072	3	-	3,075
Class of 2014	3,315	3	350	2,968
Class of 2015	2,708	1,114	-	3,822
Class of 2016	728	639	-	1,367
Class of 2017	-	1,028	-	1,028
Spanish Club	917	10,599	10,599	917
Student Council - DG	652	1,398	2,026	24
Student Council - HS	287	1,234	1,049	472
Student Council - LPC	1,996	2,527	760	3,763
Student Council - MS	12,918	5,004	13,287	4,635
High School Student Pop	5,084	-	5,084	-
Art Club	3,678	4,656	3,409	4,925
German Club	3,824	1,492	1,286	4,030
Talented and Gifted	481	175	399	257
Robotics	-	2,604	792	1,812
Total	\$ 161,315	441,972	460,833	142,454

SEE ACCOMPANYING INDEPENDENT AUDITOR REPORT

UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Transfers and Revenues	Transfers and Expenditures	Balance End of Year
Bowers Estate	\$ 1,498	1,835	-	3,333
Bader Athletic	2,938	3	2,941	-
Nurse Fund	2,077	-	2,077	-
Larson Estate	23,711	25	157	23,579
Anders Estate	101,423	-	99,831	1,592
 Total	 \$ 131,647	 1,863	 105,006	 28,504

SEE ACCOMPANYING INDEPENDENT AUDITOR REPORT

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST FUND
 JUNE 30, 2011

	Bader Scholarship	Anders Scholarship	Scholarship Pharmacy	Ellis Jones Scholarship Academic	Ellis Jones Scholarship	FFA Scholarship	Art Scholarship	Total
Assets								
Cash and pooled investments	\$ 1,268	111,731	87,363	85,359	1,375	100	287,196	
Liabilities	-	-	-	-	-	-	-	-
Net Assets								
Unrestricted	\$ 1,268	111,731	87,363	85,359	1,375	100	287,196	

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST FUND
 YEAR ENDED JUNE 30, 2011

	Bader Scholarship	Centennial Scholarship	Anders Scholarship	Ellis Jones Scholarship Pharmacy	Ellis Jones Scholarship Academic	FFA Scholarship	Art Scholarship	Total
Additions:								
Local sources:								
Gifts and contributions	\$ -	-	-	-	-	1,375	100	1,475
Interest	1	-	122	93	90	-	-	306
Total additions	1	-	122	93	90	1,375	100	1,781
Deductions:								
Scholarships	-	-	3,000	-	-	2,415	-	5,415
Income(loss) before other financing sources(uses)	1	-	(2,878)	93	90	(1,040)	100	(3,634)
Other financing sources(uses):								
Transfer in	1,532	76	99,934	-	-	2,415	-	103,957
Transfer out	(1,832)	-	-	-	-	-	-	(1,832)
Total other financing sources(uses)	(300)	76	99,934	-	-	2,415	-	102,125
Changes in net assets	(299)	76	97,056	93	90	1,375	100	98,491
Net assets beginning of year	1,567	(76)	14,675	87,270	85,269	-	-	188,705
Net assets end of year	\$ 1,268	-	111,731	87,363	85,359	1,375	100	287,196

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOLS DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 8,446	9,752	10,397	7,801
Liabilities				
Due to other groups	\$ 8,446	9,752	10,397	7,801

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 EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 5,626,185	5,446,833	5,318,917	4,908,032	4,765,008	4,458,264	4,239,101	4,214,060
Tuition	355,847	336,776	335,516	323,064	386,344	352,167	294,161	273,420
Other	720,495	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	6,414,189	5,530,383	6,383,227	5,949,075	5,462,501	5,223,143	5,013,465	4,575,442
Federal sources	644,246	873,821	333,882	198,118	213,546	191,224	194,256	208,315
Total	\$ 13,760,962	12,882,643	13,107,446	12,379,847	11,911,218	11,195,163	10,674,250	10,176,860
Expenditures:								
Instruction:								
Regular	\$ 4,899,028	4,951,169	4,960,355	4,637,820	4,634,592	4,528,277	4,406,787	4,512,120
Special	1,464,316	1,342,679	1,602,117	1,251,387	1,364,343	1,295,911	1,249,955	1,121,715
Other	1,563,769	1,507,420	1,162,791	1,244,450	1,127,186	1,126,110	1,008,912	963,921
Support services:								
Student	310,315	297,358	318,617	249,800	238,529	231,459	218,384	205,122
Instructional staff	531,576	505,336	454,393	365,468	476,019	370,929	363,933	370,491
Administration	1,234,701	1,200,663	1,170,052	1,174,637	1,141,204	1,079,520	995,038	906,163
Operation and maintenance of plant	968,027	860,159	879,724	798,996	809,692	882,795	757,981	748,422
Transportation	711,315	625,797	807,307	729,181	758,313	719,310	554,188	623,573
Non-instructional programs	955	11,749	3,916	795	3,571	6,903	3,912	-
Other expenditures:								
Facilities acquisition	2,864,149	7,438,402	596,369	532,857	221,974	60,715	13,956	61,063
Long-term debt:								
Principal	9,305,000	-	430,000	370,000	325,000	290,000	725,000	305,000
Interest and other charges	265,562	122,845	17,400	33,650	49,150	63,650	95,673	110,412
AEA flowthrough	551,202	536,585	452,298	418,968	392,085	367,601	351,379	368,797
Total	\$ 24,669,915	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, 2011

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 11	\$ 38,797
National School Lunch Program	10.555	FY 11	211,219 *
Special Milk Program for Children	10.556	FY 11	134
			<u>250,150</u>
Team Nutrition Grants	10.574	FY 11	<u>854</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 11	71,480
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 11	21,334
			<u>92,814</u>
Career and Technical Education - Basic Grants to States	84.048	FY 11	<u>289</u>
Title IIA - Federal Teacher Quality Program	84.367	FY 11	<u>32,483</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>8,249</u>
State Fiscal Stabilization Cluster:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 11	66,028
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	FY 11	58,894
			<u>124,922</u>
Education Jobs Fund	84.410	FY 11	<u>250,891</u>
Area Education Agency 267:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY 11	63,547
Special Education - Grants to States, Project IRIS Subgrant	84.027	FY 11	13,976
ARRA - Special Education Grants to States, Recovery Act	84.391	FY 10	41,476
			<u>118,999</u>
Career and Technical Education - Basic Grants to States	84.048	FY 11	<u>9,810</u>
Hawkeye Community College:			
Tech-Prep Education	84.243	FY 11	<u>5,000</u>
Grant Wood Area Education Agency:			
Education Technology State Grants	84.386	FY 11	<u>560</u>
U.S. Department of Health and Human Services:			
Iowa Department of Education:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	FY 11	229
Total			<u>\$ 895,250</u>

* -Includes \$45,773 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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 31, 2012. 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-11 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, 2011 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.

January 31, 2012

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 That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

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

Compliance

We have audited Union Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Union Community School District's major federal programs for the year ended June 30, 2011. Union Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Union Community School District's management. Our responsibility is to express an opinion on Union Community School District's compliance based on our audit.

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

In our opinion, Union Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 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 a 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-11 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.

January 31, 2012

UNION COMMUNITY SCHOOLS DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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 programs were as follows:
 - CFDA Number 84.410 – Education Jobs Fund
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.556 – Special Milk Program
- (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, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-11 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 SCHOOLS DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.556: Special Milk Program for Children
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.410 - Education Jobs Fund
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-11 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 posting of the cash receipts to the cash receipts journal and subsequent bank reconciliations were 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, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District expenditures for the year ended June 30, 2011 did not exceed the certified amounts in any of the functional areas.

IV-B-11 Questionable Disbursements - We noted during our audit that students were given cash prizes for being top sellers when participating in fundraising.

Recommendation - Cash given to students as prizes does not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. The vendor supporting the District's fundraiser should issue checks to the students for the cash prizes. The District should not give cash as prizes.

Response - In the future, we will not be giving out cash prizes from the school for magazine fundraisers. The vendor will be responsible for any cash prizes for fundraisers.

Conclusion - Response accepted.

IV-C-11 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-11 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	\$1,217
Angela Bechthold, Teacher Nephew runs DJ service	DJ services	\$950
Louis Beck, Teacher Mother owns Breads by Ruth Beck	Supplies	\$2,515
Nancy McFarland, Bus driver Daughter owns La Porte City Printing & Design	Supplies	\$11,613
Nancy McFarland, Bus driver Owns Sunshine Florals	Supplies	\$404
Becky Joens, Secretary Owns Joensy's	Supplies	\$242
Rita Eikamp, Teacher Daughter-in-law owns Simply Blooming	Supplies	\$25
Deb Jungling, Teacher Husband owns Pronto Market	Supplies	\$6,537

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 and their relatives do not appear to represent a conflict of interest.

- IV-E-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-11 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-11 Supplemental Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 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-11 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-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 3,758,428
Revenues:		
Sales tax revenues	\$ 1,075,595	
Other local revenues	2,320	
Sale of long-term debt	<u>1,100,000</u>	<u>2,177,915</u>
		5,936,343
Expenditures/transfers out:		
School infrastructure construction	\$ 2,644,616	
Equipment	125,909	
Other	261,951	
Transferred to other funds:		
Debt service fund	<u>1,672,146</u>	<u>4,704,622</u>
Ending Balance		<u><u>\$ 1,231,721</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa