

UNITED COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2011

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United Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Kathy Toms	President	2011
Matt Swanson	Vice President	2011
Darla Hayworth	Board Member	2011
Marvin Davis	Board Member	2013
Ron Miller	Board Member	2013
School Officials		
Sara Keehn	Superintendent	2011
Kent Bultman	Board Secretary/Treasurer (resigned April 2011)	2011
Jacob Ballard	Board Secretary/Treasurer (appointed May 2011)	2011
Ahlers & Cooney, P.C.	Attorney	2011

UNITED COMMUNITY SCHOOL DISTRICT

NOLTE, 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
United Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the United Community School District, Boone, Iowa as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of United Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2012 on our consideration of United Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information

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required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise United Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, somewhat stylized font.

NOLTE, CORNMAN & JOHNSON, P.C.

February 14, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

United Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$3,170,295 in fiscal 2010 to \$3,663,551 in fiscal 2011, while General Fund expenditures increased from \$3,927,841 in fiscal 2010 to \$4,049,986 in fiscal 2011. This resulted in a decrease in the District's General Fund balance from \$237,175 in fiscal 2010 to a deficit \$149,260 in fiscal 2011, a 162.93% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state source revenues in fiscal 2011. The increase in expenditures was due primarily to an increase in the instruction functional area.
- The District's solvency ratio decreased from 2.83% at June 30, 2010 to -9.75% at June 30, 2011.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

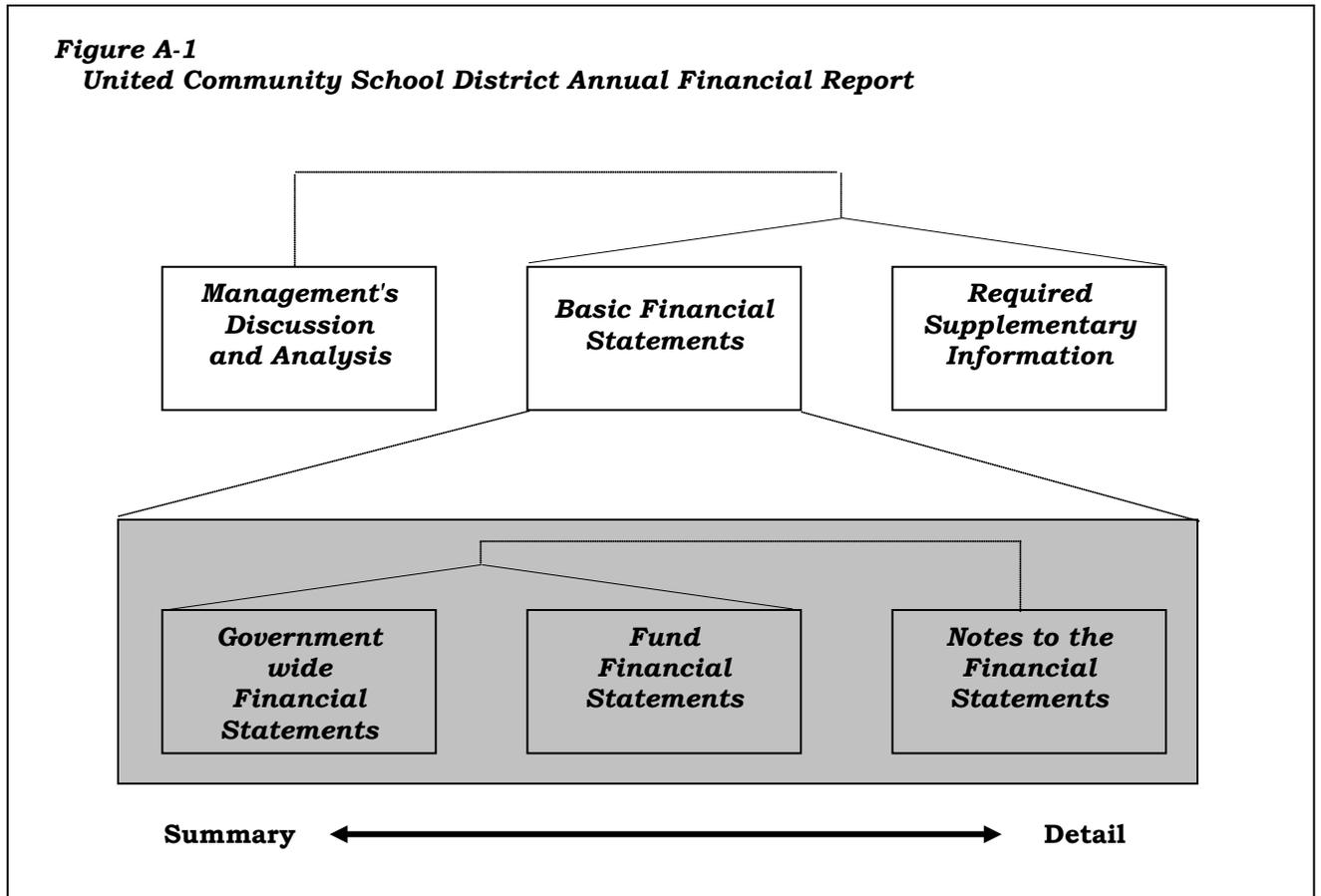


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- 3) Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. This would include the Agency Fund.
- Agency Fund - These are funds for which the District administers and accounts for certain revenues collected for the District's non-public purpose expenditures.

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 Government-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 5,462,932	4,665,033	193,297	103,651	5,656,229	4,768,684	18.61%
Capital assets	2,137,254	1,903,838	33,998	39,691	2,171,252	1,943,529	11.72%
Total assets	7,600,186	6,568,871	227,295	143,342	7,827,481	6,712,213	16.62%
Long-term obligations	227,526	219,519	3,471	1,659	230,997	221,178	4.44%
Other liabilities	3,542,168	2,404,651	18,947	1,360	3,561,115	2,406,011	48.01%
Total liabilities	3,769,694	2,624,170	22,418	3,019	3,792,112	2,627,189	44.34%
Net assets:							
Invested in capital assets, net of related debt	2,088,224	1,832,296	33,998	39,691	2,122,222	1,871,987	13.37%
Restricted	2,071,776	1,080,442	0	0	2,071,776	1,080,442	91.75%
Unrestricted	(329,508)	1,031,963	170,879	100,632	(158,629)	1,132,595	-114.01%
Total net assets	\$ 3,830,492	3,944,701	204,877	140,323	4,035,369	4,085,024	-1.22%

The District's combined net assets decreased by 1.22%, or \$49,655 from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the invested in capital assets are liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$991,334, or 91.75% over the prior year. The majority of the increase in restricted net assets was due to the District's increase in carryover balances for state categorical funding as well as an increase in the fund balance of the Statewide Sales, Services and Use Tax Fund.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements by decreased \$1,291,224, or -114.01%. The majority of the decrease in unrestricted net assets was a due to the decrease in fund balance of the General Fund.

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

Figure A-4
Changes of Net Assets

	Governmental		Business-Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2010-11
	2011	2010	2011	2010	2011	2010	
Revenues:							
Program revenues:							
Charges for services	\$ 446,745	277,594	237,381	191,864	684,126	469,458	45.73%
Operating grants, contributions and restricted interest	527,470	636,898	59,314	50,137	586,784	687,035	-14.59%
General revenues and transfers:							
Property tax	2,284,481	1,894,662	0	0	2,284,481	1,894,662	20.57%
Income surtax	121,664	149,470	0	0	121,664	149,470	-18.60%
Statewide sales, services and use tax	246,660	222,477	0	0	246,660	222,477	10.87%
Unrestricted state grants	559,433	597,969	0	0	559,433	597,969	-6.44%
Nonspecific program federal grants	63,856	0	0	0	63,856	0	100.00%
Unrestricted interest revenue	3,507	3,895	162	176	3,669	4,071	-9.87%
Other	59,365	17,779	5,268	570	64,633	18,349	252.24%
Transfers	(2,738)	(30,711)	2,738	30,711	0	0	0.00%
Total revenues	4,310,443	3,770,033	304,863	273,458	4,615,306	4,043,491	14.14%
Program expenses:							
Governmental activities:							
Instructional	2,913,384	2,769,623	67,186	116,045	2,980,570	2,885,668	3.29%
Support services	1,241,735	1,330,611	0	0	1,241,735	1,330,611	-6.68%
Non-instructional programs	2,323	0	173,123	162,338	175,446	162,338	8.07%
Other expenses	267,210	263,924	0	0	267,210	263,924	1.25%
Total expenses	4,424,652	4,364,158	240,309	278,383	4,664,961	4,642,541	0.48%
Change in net assets	(114,209)	(594,125)	64,554	(4,925)	(49,655)	(599,050)	92%
Net assets beginning of year, as restated	3,944,701	4,538,826	140,323	145,248	4,085,024	4,684,074	-12.79%
Net assets end of year	\$ 3,830,492	3,944,701	204,877	140,323	4,035,369	4,085,024	-1.22%

In fiscal 2011, property tax, unrestricted state grants, and operating grants, contributions, and restricted interest account for 78.21% of the revenue from governmental activities while charges for services and operating grants, contributions, and restricted interest account for 97.32% of the revenue from business type activities.

The District's total revenues were approximately \$4.62 million of which approximately \$4.31 million was for governmental activities and approximately \$0.31 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 14.14% increase in revenues and a 0.48% increase in expenses. The increase in expenses was related to an increase in expenditures in the instructional functional area.

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

Governmental Activities

Revenues for governmental activities were \$4,310,443 and expenses were \$4,424,652. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, 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	\$ 2,913,384	2,769,623	5.19%	2,074,095	1,990,926	4.18%
Support services	1,241,735	1,330,611	-6.68%	1,240,758	1,329,613	-6.68%
Non-instructional	2,323	0	100.00%	2,323	0	100.00%
Other expenses	267,210	263,924	1.25%	133,261	129,127	3.20%
Totals	<u>\$ 4,424,652</u>	<u>4,364,158</u>	<u>1.39%</u>	<u>3,450,437</u>	<u>3,449,666</u>	<u>0.02%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$446,745.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$527,470.
- The net cost of governmental activities was financed with \$2,284,481 in property tax, \$121,664 in income surtax, \$246,660 in statewide sales, services and use tax, \$559,433 in unrestricted state grants, \$63,856 in nonspecific program federal grants, \$3,507 in unrestricted interest, and \$56,627 in other general revenue net of transfers.

Business type Activities

Revenues of the District's business type activities were \$304,863 and expenses were \$240,309. The District's business type activities include the School Nutrition Fund, the School Resale, and the Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and interest income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,793,087, below last year's ending fund balances of \$2,128,062. However, the primary reason for the decrease in combined fund balances in fiscal 2011 is due to the decrease in General Fund balance.

Governmental Fund Highlights

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

- The General Fund balance decreased from \$237,175 at June 30, 2010 to a deficit \$149,260 at June 30, 2011. Revenues increased by \$493,256, or 15.56%. Even though the District cut areas in expenditures, expenditures still exceeded revenues during the year.
- The Capital Projects Fund balance increased from \$1,509,099 in fiscal 2010 to \$1,563,520 in fiscal 2011. The majority of this increase was due to Physical Plant and Equipment Levy being reclassified as a Capital Project Fund in fiscal 2011. The Statewide Sales, Services and Use Tax fund balance increased from \$494,001 in fiscal 2010 to \$722,295 in fiscal 2011. The increase in fund balance was due to increased revenues and decreased expenditures as compared to the previous year. The Physical Plant and Equipment Levy fund balance decreased from \$1,015,098 in fiscal 2010 to \$841,225 in fiscal 2011. The decrease was a result of renovation costs for the North & South Elementary Schools.

Proprietary Fund Highlights

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

The Proprietary Fund net assets increased from \$140,323 at June 30, 2010 to \$204,877 at June 30, 2011, representing an increase of 46.00%.

- The District's Nutrition Fund balance decreased from \$48,876 at June 30, 2010 to \$41,153 at June 30, 2011, representing a decrease of 15.80%.
- The District's Day Care Fund increased from \$71,657 at June 30, 2010 to \$147,125 at June 30, 2011, representing an increase of 105.32%. An increase in revenues received from patrons of the Daycare coupled with decreased expenditures as compared to the previous year ensured the increase in fund balance.

BUDGETARY HIGHLIGHTS

The District's revenues were \$775,099 less than budgeted revenues, a variance of 14.37%. The most significant variance resulted from the District receiving less in local source revenue than originally anticipated.

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$2,171,252 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 11.72% from last year. Additional detailed information about the capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$264,997.

The original cost of the District's capital assets was \$5,395,091. Governmental funds account for \$5,284,590 with the remainder of \$110,501 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress had a \$0 balance at June 30, 2010 compared to \$367,863 reported at June 30, 2011. The increase in construction in progress was attributable to the District starting the renovation of the North and South Elementary School.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 30,821	30,821	0	0	30,821	30,821	0.00%
Construction in progress	367,863	0	0	0	367,863	0	100.00%
Buildings and improvements	1,309,741	1,382,556	0	0	1,309,741	1,382,556	-5.27%
Land improvements	184,240	212,167	0	0	184,240	212,167	-13.16%
Machinery and equipment	244,589	278,294	33,998	39,691	278,587	317,985	-12.39%
Total	\$ 2,137,254	1,903,838	33,998	39,691	2,171,252	1,943,529	11.72%

Long-Term Debt

At June 30, 2011, the District had \$230,997 in long-term debt outstanding. This represents an increase of 4.44% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding early retirement payable of \$67,513 at June 30, 2011, payable from the Special Revenue, Management Levy Fund.

The District had outstanding compensated absences at June 30, 2011 of \$16,133, payable from the General Fund.

The District had an outstanding computer lease payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$49,030 at June 30, 2011.

The District had net OPEB liability payable of \$98,321 at June 30, 2011, \$94,850 attributable to governmental activities and \$3,471 to business type activities.

	Figure A-7						
	Outstanding Long-Term Obligations						
	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
June 30,		June 30,		June 30,		June 30,	
2011		2010		2011		2010-11	
Compensated absences	\$ 16,133	17,190	0	0	16,133	17,190	-6.15%
Early retirement	67,513	85,446	0	0	67,513	85,446	-20.99%
Computer lease	49,030	71,542	0	0	49,030	71,542	-31.47%
Net OPEB obligation	94,850	45,341	3,471	1,659	98,321	47,000	109.19%
Total	\$ 227,526	219,519	3,471	1,659	230,997	221,178	4.44%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- On July 1, 2011, the IPERS increase to 8.07% will increase the United Community Schools employer benefits costs during fiscal 2012. An additional increase to 8.67% is anticipated for FY13.
- The District will be sharing the Superintendent and Principal position beginning in the 2011/12 year resulting in an approximate savings to the District of \$95,000.
- The continuing phase out of the budget guarantee is also an issue the District is dealing with.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jacob Ballard, Board Secretary/Treasurer, United Community School District, 1284 U Avenue, Boone, Iowa, 50036.

BASIC FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 2,379,523	186,243	2,565,766
Receivables:			
Property tax:			
Delinquent	11,063	0	11,063
Succeeding year	2,753,576	0	2,753,576
Income surtax	128,214	0	128,214
Accounts	12,217	4,937	17,154
Due from other governments	175,044	0	175,044
Prepaid items	3,295	0	3,295
Inventories	0	2,117	2,117
Capital assets, net of accumulated depreciation	2,137,254	33,998	2,171,252
Total assets	7,600,186	227,295	7,827,481
Liabilities			
Due to other governments	739	0	739
Accounts payable	558,107	17,908	576,015
Salaries and benefits payable	196,735	0	196,735
Interest payable	537	0	537
Deferred revenue:			
Succeeding year property tax	2,753,576	0	2,753,576
Other	32,474	0	32,474
Unearned revenue	0	1,039	1,039
Long-term liabilities:			
Portion due within one year:			
Compensated absences	16,133	0	16,133
Early retirement payable	13,413	0	13,413
Computer lease	24,012	0	24,012
Portion due after one year:			
Early retirement payable	54,100	0	54,100
Computer lease	25,018	0	25,018
Net OPEB liability	94,850	3,471	98,321
Total liabilities	3,769,694	22,418	3,792,112
Net Assets			
Invested in capital assets	2,088,224	33,998	2,122,222
Restricted for:			
Categorical funding	196,942	0	196,942
Management levy purposes	310,619	0	310,619
Student activities	695	0	695
School infrastructure	722,295	0	722,295
Physical plant and equipment	841,225	0	841,225
Unrestricted	(329,508)	170,879	(158,629)
Total net assets	\$ 3,830,492	204,877	4,035,369

SEE NOTES TO FINANCIAL STATEMENTS

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Governmental activities:						
Instruction:						
Regular	\$ 2,160,529	356,640	194,888	(1,609,001)	0	(1,609,001)
Special	461,564	90,105	39,930	(331,529)	0	(331,529)
Other	291,291	0	157,726	(133,565)	0	(133,565)
	<u>2,913,384</u>	<u>446,745</u>	<u>392,544</u>	<u>(2,074,095)</u>	<u>0</u>	<u>(2,074,095)</u>
Support services:						
Student	101,647	0	0	(101,647)	0	(101,647)
Instructional staff	66,665	0	0	(66,665)	0	(66,665)
Administration	488,351	0	0	(488,351)	0	(488,351)
Operation and maintenance of plant	304,998	0	0	(304,998)	0	(304,998)
Transportation	280,074	0	977	(279,097)	0	(279,097)
	<u>1,241,735</u>	<u>0</u>	<u>977</u>	<u>(1,240,758)</u>	<u>0</u>	<u>(1,240,758)</u>
Non-instructional programs:						
Community service operations	2,323	0	0	(2,323)	0	(2,323)
Other expenses:						
Long-term debt interest	4,436	0	0	(4,436)	0	(4,436)
AEA flowthrough	133,949	0	133,949	0	0	0
Depreciation(unallocated)*	128,825	0	0	(128,825)	0	(128,825)
	<u>267,210</u>	<u>0</u>	<u>133,949</u>	<u>(133,261)</u>	<u>0</u>	<u>(133,261)</u>
Total governmental activities	4,424,652	446,745	527,470	(3,450,437)	0	(3,450,437)
Business type activities:						
Instruction:						
Other	67,186	0	0	0	(67,186)	(67,186)
Non-instructional programs:						
Nutrition services	125,757	52,575	59,314	0	(13,868)	(13,868)
Daycare services	43,503	184,806	0	0	141,303	141,303
Resale activities	3,863	0	0	0	(3,863)	(3,863)
Total noninstructional programs	<u>173,123</u>	<u>237,381</u>	<u>59,314</u>	<u>0</u>	<u>123,572</u>	<u>123,572</u>
Total business type activities	<u>240,309</u>	<u>237,381</u>	<u>59,314</u>	<u>0</u>	<u>56,386</u>	<u>56,386</u>
Total	\$ 4,664,961	684,126	586,784	(3,450,437)	56,386	(3,394,051)
General Revenues and Transfers:						
Property tax levied for:						
General purposes			\$ 1,922,963	0	1,922,963	
Capital outlay			361,518	0	361,518	
Income surtax			121,664	0	121,664	
Statewide sales, services and use tax			246,660	0	246,660	
Unrestricted state grants			559,433	0	559,433	
Nonspecific program federal grants			63,856	0	63,856	
Unrestricted investment earnings			3,507	162	3,669	
Other			59,365	5,268	64,633	
Transfers			(2,738)	2,738	0	
Total general revenues and transfers			<u>3,336,228</u>	<u>8,168</u>	<u>3,344,396</u>	
Changes in net assets			(114,209)	64,554	(49,655)	
Net assets beginning of year			<u>3,944,701</u>	<u>140,323</u>	<u>4,085,024</u>	
Net assets end of year			<u>\$ 3,830,492</u>	<u>204,877</u>	<u>4,035,369</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 289,039	1,711,848	378,636	2,379,523
Receivables:				
Property tax:				
Delinquent	9,181	1,691	191	11,063
Succeeding year	2,336,965	375,111	41,500	2,753,576
Income surtax	128,214	0	0	128,214
Accounts	12,217	0	0	12,217
Due from other governments	107,326	67,718	0	175,044
Prepaid items	3,295	0	0	3,295
Total assets	\$ 2,886,237	2,156,368	420,327	5,462,932
Liabilities and Fund Balances				
Liabilities:				
Due to other governments	\$ 739	0	0	739
Accounts payable	340,370	217,737	0	558,107
Salaries and benefits payable	196,735	0	0	196,735
Deferred revenue:				
Succeeding year property tax	2,336,965	375,111	41,500	2,753,576
Income surtax	128,214	0	0	128,214
Other	32,474	0	0	32,474
Total liabilities	3,035,497	592,848	41,500	3,669,845
Fund balances:				
Restricted for:				
Categorical funding	196,942	0	0	196,942
Management levy purposes	0	0	378,132	378,132
Student activities	0	0	695	695
School infrastructure	0	722,295	0	722,295
Physical plant and equipment	0	841,225	0	841,225
Assigned	11,142	0	0	11,142
Unassigned	(357,344)	0	0	(357,344)
Total fund balances	(149,260)	1,563,520	378,827	1,793,087
Total liabilities and fund balances	\$ 2,886,237	2,156,368	420,327	5,462,932

SEE NOTES TO FINANCIAL STATEMENTS

UNITED 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) \$ 1,793,087

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 in the governmental funds. 2,137,254

Accounts receivable income surtax, are not yet available to finance expenditures of the current period. 128,214

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. (537)

Long-term liabilities, including early retirement payable, compensated absences payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are notreported as liabilities in the governmental funds. (227,526)

Net assets of governmental activities(page 18) \$ 3,830,492

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 2,010,243	608,178	39,273	2,657,694
Tuition	440,537	0	0	440,537
Other	62,978	2,328	4,740	70,046
State sources	980,933	0	0	980,933
Federal sources	168,860	0	0	168,860
Total revenues	<u>3,663,551</u>	<u>610,506</u>	<u>44,013</u>	<u>4,318,070</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,110,164	0	9,118	2,119,282
Special	455,575	0	0	455,575
Other	290,113	0	162	290,275
	<u>2,855,852</u>	<u>0</u>	<u>9,280</u>	<u>2,865,132</u>
Support services:				
Student	99,568	0	0	99,568
Instructional staff	34,184	31,963	0	66,147
Administration	438,690	1,190	37,551	477,431
Operation and maintenance of plant	277,995	34,708	52	312,755
Transportation	207,425	79,669	91	287,185
	<u>1,057,862</u>	<u>147,530</u>	<u>37,694</u>	<u>1,243,086</u>
Non-instructional programs:				
Community service operations	2,323	0	0	2,323
Other expenditures:				
Facilities acquisitions	0	381,361	0	381,361
Long-term debt:				
Principal	0	0	22,512	22,512
Interest and fiscal charges	0	0	4,682	4,682
AEA flowthrough	133,949	0	0	133,949
	<u>133,949</u>	<u>381,361</u>	<u>27,194</u>	<u>542,504</u>
Total expenditures	<u>4,049,986</u>	<u>528,891</u>	<u>74,168</u>	<u>4,653,045</u>
Excess(Deficiency) of revenues over(under) expenditures	(386,435)	81,615	(30,155)	(334,975)
Other financing sources(uses):				
Transfer in	0	0	27,194	27,194
Transfer out	0	(27,194)	0	(27,194)
Total other financing sources(uses)	<u>0</u>	<u>(27,194)</u>	<u>27,194</u>	<u>0</u>
Net change in fund balances	(386,435)	54,421	(2,961)	(334,975)
Fund balance beginning of year, as restated	237,175	1,509,099	381,788	2,128,062
Fund balance end of year	<u>\$ (149,260)</u>	<u>1,563,520</u>	<u>378,827</u>	<u>1,793,087</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

Net change in fund balances - total governmental funds(page 22) \$ (334,975)

**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 exceeded depreciation expense in the current year, as follows:

Capital outlays	\$ 489,982	
Depreciation expense	<u>(256,566)</u>	233,416

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 22,512

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. 246

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (4,889)

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	\$ 17,933	
Compensated absences	1,057	
Other postemployment benefits	<u>(49,509)</u>	<u>(30,519)</u>

Changes in net assets of governmental activities(page 19) \$ (114,209)

UNITED COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	School Nutrition	Daycare	School Resale	Total
Assets				
Cash and pooled investments	\$ 19,931	149,713	16,599	186,243
Due from other governments	4,937	0	0	4,937
Inventories	2,117	0	0	2,117
Capital assets, net of accumulated depreciation	33,998	0	0	33,998
Total assets	60,983	149,713	16,599	227,295
Liabilities				
Accounts payable	15,358	2,550	0	17,908
Unearned revenues	1,039	0	0	1,039
Net OPEB liability	3,433	38	0	3,471
Total liabilities	19,830	2,588	0	22,418
Net Assets				
Invested in capital assets	33,998	0	0	33,998
Unrestricted	7,155	147,125	16,599	170,879
Total net assets	\$ 41,153	147,125	16,599	204,877

SEE NOTES TO FINANCIAL STATEMENTS

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

	School Nutrition	Daycare	School Resale	Total
Operating revenues:				
Local sources:				
Charges for services	\$ 52,575	184,806	0	237,381
Miscellaneous	3,387	1,209	672	5,268
Total operating revenues	<u>55,962</u>	<u>186,015</u>	<u>672</u>	<u>242,649</u>
Operating expenses:				
Instruction:				
Other:				
Salaries	0	40,722	0	40,722
Benefits	0	17,775	0	17,775
Supplies	0	8,689	0	8,689
	<u>0</u>	<u>67,186</u>	<u>0</u>	<u>67,186</u>
Non-instructional programs:				
Salaries	35,834	0	0	35,834
Benefits	16,802	0	0	16,802
Services	340	0	0	340
Supplies	62,123	0	0	62,123
Other	2,228	0	0	2,228
Depreciation	8,431	0	0	8,431
	<u>125,758</u>	<u>0</u>	<u>0</u>	<u>125,758</u>
Community service operations:				
Salaries	0	33,569	0	33,569
Benefits	0	6,702	0	6,702
Supplies	0	3,232	0	3,232
	<u>0</u>	<u>43,503</u>	<u>0</u>	<u>43,503</u>
Other enterprise operations:				
Supplies	0	0	3,863	3,863
Total operating expenses	<u>125,758</u>	<u>110,689</u>	<u>3,863</u>	<u>240,310</u>
Operating income(loss)	<u>(69,796)</u>	<u>75,326</u>	<u>(3,191)</u>	<u>2,339</u>
Non-operating revenues:				
State sources	1,207	0	0	1,207
Federal sources	58,108	0	0	58,108
Interest income	20	142	0	162
Total non-operating revenues	<u>59,335</u>	<u>142</u>	<u>0</u>	<u>59,477</u>
Change in net assets before other financing sources	(10,461)	75,468	(3,191)	61,816
Other financing sources:				
Capital contributions	<u>2,738</u>	<u>0</u>	<u>0</u>	<u>2,738</u>
Change in net assets	(7,723)	75,468	(3,191)	64,554
Net assets beginning of year	<u>48,876</u>	<u>71,657</u>	<u>19,790</u>	<u>140,323</u>
Net assets end of year	<u>\$ 41,153</u>	<u>147,125</u>	<u>16,599</u>	<u>204,877</u>

SEE NOTES TO FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	School Nutrition	Daycare	School Resale	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 52,729	184,806	0	237,535
Cash received from miscellaneous	3,387	1,209	672	5,268
Cash payments to employees for services	(50,845)	(98,747)	0	(149,592)
Cash payments to suppliers for goods or services	(39,033)	(9,491)	(3,863)	(52,387)
Net cash provided by(used in) operating activities	<u>(33,762)</u>	<u>77,777</u>	<u>(3,191)</u>	<u>40,824</u>
Cash flows from non-capital financing activities:				
State grants received	1,207	0	0	1,207
Federal grants received	45,587	0	0	45,587
Net cash provided by non-capital financing activities	<u>46,794</u>	<u>0</u>	<u>0</u>	<u>46,794</u>
Cash flows from investing activities:				
Interest on investments	20	142	0	162
Net increase(decrease) in cash and cash equivalents	13,052	77,919	(3,191)	87,780
Cash and cash equivalents at beginning of year	6,879	71,794	19,790	98,463
Cash and cash equivalents at end of year	<u>\$ 19,931</u>	<u>149,713</u>	<u>16,599</u>	<u>186,243</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (69,796)	75,326	(3,191)	2,339
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	7,584	0	0	7,584
Depreciation	8,431	0	0	8,431
Decrease in inventories	2,819	0	0	2,819
Decrease in accounts receivable	252	0	0	252
Increase in accounts payable	15,255	2,430	0	17,685
Decrease in unearned revenue	(98)	0	0	(98)
Increase in other postemployment benefits	1,791	21	0	1,812
Net cash provided by(used in) operating activities	<u>\$ (33,762)</u>	<u>77,777</u>	<u>(3,191)</u>	<u>40,824</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received Federal commodities valued at \$7,584.

During the year ended June 30, 2011, the Nutrition Fund received contributed capital of \$2,738 from the Physical Plant and Equipment Levy.

SEE NOTES TO FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	<u>Agency Fund</u>
Assets	
Cash and pooled investments	\$ 237
Liabilities	
Due to other groups	\$ 237

SEE NOTES TO FINANCIAL STATEMENTS

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

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

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

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Story and Boone Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of 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 support.

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds. 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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 - committed, 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

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

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

D. Assets, Liabilities and Fund Balances

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, 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	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment:	5-12 years

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

recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund 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.

Assigned - Amounts that are constrained by the government intent to be used for specific purposes by the Superintendent/Board Secretary.

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. During the year ended June 30, 2011, District expenditures in the non-instructional programs function exceeded the budgeted amounts.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2011 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$60,050 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects:	
	Physical Plant and	
Debt Service	Equipment Levy	\$ 27,194

The transfer from the Capital Projects: Physical Plant and Equipment Levy to the Debt Service Fund was needed for the principal and interest payment of the Apple computer lease.

(4) 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	\$ 30,821	0	0	30,821
Construction in progress	0	367,863	0	367,863
Total capital assets not being depreciated	<u>30,821</u>	<u>367,863</u>	<u>0</u>	<u>398,684</u>
Capital assets being depreciated:				
Buildings and improvements	2,682,905	28,083	0	2,710,988
Land improvements	565,220	0	0	565,220
Machinery and equipment	1,567,042	94,036	51,380	1,609,698
Total capital assets being depreciated	<u>4,815,167</u>	<u>122,119</u>	<u>51,380</u>	<u>4,885,906</u>
Less accumulated depreciation for:				
Buildings and improvements	1,300,349	100,898	0	1,401,247
Land improvements	353,053	27,927	0	380,980
Machinery and equipment	1,288,748	127,741	51,380	1,365,109
Total accumulated depreciation	<u>2,942,150</u>	<u>256,566</u>	<u>51,380</u>	<u>3,147,336</u>
Total capital assets being depreciated, net	<u>1,873,017</u>	<u>(134,447)</u>	<u>0</u>	<u>1,738,570</u>
Governmental activities capital assets, net	<u>\$ 1,903,838</u>	<u>233,416</u>	<u>0</u>	<u>2,137,254</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 107,763	2,738	0	110,501
Less accumulated depreciation	68,072	8,431	0	76,503
Business type activities capital assets, net	<u>\$ 39,691</u>	<u>(5,693)</u>	<u>0</u>	<u>33,998</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 37,461
Other		1,016
Support services:		
Administration		6,420
Operation and maintenance of plant		8,422
Transportation		74,422
		<u>127,741</u>
Unallocated depreciation		<u>128,825</u>
Total governmental activities depreciation expense		<u>\$ 256,566</u>
Business type activities:		
Food services		<u>\$ 8,431</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities 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:					
Compensated absences	\$ 17,190	16,133	17,190	16,133	16,133
Early retirement	85,446	0	17,933	67,513	13,413
Computer lease	71,542	0	22,512	49,030	24,012
Net OPEB liability	45,341	49,509	0	94,850	0
Total	\$ 219,519	65,642	57,635	227,526	53,558
Business type activities:					
Net OPEB liability	\$ 1,659	1,812	0	3,471	0

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of service as a full-time employee. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives for each eligible employee will be based on the employee salary schedule in effect the last year of the employee's employment with the District. The employee will receive 30 percent of the current year's salary less phase money, supplemental pay or extended contract pay. Early retirement expenditures for the year ended June 30, 2011 totaled \$17,933.

Computer Lease Payable

On July 15, 2009, the District entered into a lease agreement with Apple for new computers. The lease is scheduled to be repaid as follows from the Special Revenue, Physical Plant and Equipment Levy Fund:

Year Ending June 30,	Lease dated July 15, 2009			
	Interest Rates	Principal	Interest	Total
2012	6.55 %	\$ 24,012	3,182	27,194
2013	6.55	25,018	2,176	27,194
Total		\$ 49,030	5,358	54,388

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$107,803, \$111,000, and \$107,504 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits

Plan Description - The District operates a single-employer retiree benefit plan, which provides medical and prescription drug benefits for retirees and their spouses. There are 45 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark Blue Cross Blue. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which result 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 and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's 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	\$ 115,000
Interest on net OPEB obligation	2,115
Adjustment to annual required contribution	(1,794)
Annual OPEB cost	<u>115,321</u>
Contributions made	(64,000)
Increase in net OPEB obligation	<u>51,321</u>
Net OPEB obligation beginning of year	<u>47,000</u>
Net OPEB obligation end of year	<u><u>\$ 98,321</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 \$64,000 to the medical plan. Plan members eligible for benefits contributed \$42,000, or 39.60% 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	\$ 115,000	59.13%	\$ 47,000
2011	115,321	55.50%	98,321

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 \$787,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$787,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,368,013, and the ratio of the UAAL to covered payroll was 57.53%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present 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 July 1, 2009 actuarial valuation date, the Alternative Measurement Method, a simplified version of the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

The projected claim costs of the medical plan for retirees less than age 65 are \$486. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2011 were \$258,056.

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

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$133,949 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) 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
LEP weighting	\$ 1,195
Home school assistance program	106,199
Dropout and dropout prevention	58,517
Beginning teacher mentoring	166
Educator quality, basic salary	9,879
Market factor	597
Model core curriculum	8,626
Professional development	9,154
Transportation aid nonpublic	43
Transportation assistance	618
Market factor incentives	1,948
	1,948
Total	\$ 196,942

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2011, expenditures in the non-instructional function exceeded the amounts budgeted.

(12) Deficit Fund Balance/Net Assets

At June 30, 2011, the General Fund had a deficit unassigned fund balance of \$357,344. The District also had a deficit unrestricted net assets balance in the governmental activities of \$329,508.

(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 fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010 as previously reported	\$ 494,001	1,015,098
Changes in fund type classification per implementation of GASB Statement No. 54	1,015,098	(1,015,098)
	1,015,098	(1,015,098)
Balances July 1, 2010, as restated	\$ 1,509,099	0

REQUIRED SUPPLEMENTARY INFORMATION

UNITED COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,168,277	242,811	3,411,088	4,098,386	4,098,386	(687,298)
State sources	980,933	1,207	982,140	1,128,280	1,128,280	(146,140)
Federal sources	168,860	58,108	226,968	168,629	168,629	58,339
Total revenues	<u>4,318,070</u>	<u>302,126</u>	<u>4,620,196</u>	<u>5,395,295</u>	<u>5,395,295</u>	<u>(775,099)</u>
Expenditures/expenses:						
Instruction	2,865,132	67,186	2,932,318	4,372,418	4,372,418	1,440,100
Support services	1,243,086	0	1,243,086	1,873,100	1,873,100	630,014
Non-instructional programs	2,323	173,124	175,447	144,413	144,413	(31,034)
Other expenditures	542,504	0	542,504	2,036,115	2,036,115	1,493,611
Total expenditures/expenses	<u>4,653,045</u>	<u>240,310</u>	<u>4,893,355</u>	<u>8,426,046</u>	<u>8,426,046</u>	<u>3,532,691</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(334,975)	61,816	(273,159)	(3,030,751)	(3,030,751)	2,757,592
Other financing sources, net	0	2,738	2,738	0	0	2,738
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	(334,975)	64,554	(270,421)	(3,030,751)	(3,030,751)	2,760,330
Balance beginning of year	<u>2,128,062</u>	<u>140,323</u>	<u>2,268,385</u>	<u>2,737,762</u>	<u>2,737,762</u>	<u>(469,377)</u>
Balance end of year	<u>\$ 1,793,087</u>	<u>204,877</u>	<u>1,997,964</u>	<u>(292,989)</u>	<u>(292,989)</u>	<u>2,290,953</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNITED 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year-end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, District expenditures in the non-instructional function exceeded the amount budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 787,000	\$ 787,000	0.00%	\$ 1,333,634	59.01%
2011	July 1, 2009	\$ 0	\$ 787,000	\$ 787,000	0.00%	\$ 1,368,013	57.53%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue		Total Nonmajor Governmental Funds
	Student Activity	Manage- ment Levy	
Assets			
Cash and pooled investments	\$ 695	377,941	378,636
Receivables:			
Property tax:			
Delinquent	0	191	191
Succeeding year	0	41,500	41,500
Total Assets	\$ 695	419,632	420,327
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 0	41,500	41,500
Total liabilities	0	41,500	41,500
Fund balances:			
Restricted for:			
Management levy purposes	0	378,132	378,132
Student activities	695	0	695
Total fund balances	695	378,132	378,827
Total Liabilities and Fund Balances	\$ 695	419,632	420,327

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue				Total Nonmajor Governmental Funds
	Student Activity	Manage- ment Levy	Total Special Revenue Funds	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 0	39,273	39,273	0	39,273
Other	264	4,476	4,740	0	4,740
Total revenues	264	43,749	44,013	0	44,013
Expenditures:					
Current:					
Instruction:					
Regular	0	9,118	9,118	0	9,118
Other	162	0	162	0	162
Support services:					
Administration	0	37,551	37,551	0	37,551
Operation and maintenance of plant	0	52	52	0	52
Transportation	0	91	91	0	91
Other expenditures:					
Long-term debt:					
Principal	0	0	0	22,512	22,512
Interest and fiscal charges	0	0	0	4,682	4,682
Total expenditures	162	46,812	46,974	27,194	74,168
Excess(Deficiency) of revenues over(under) expenditures	102	(3,063)	(2,961)	(27,194)	(30,155)
Other financing sources:					
Transfer in	0	0	0	27,194	27,194
Excess(Deficiency) or revenues and other financing sources over(under) expenditures	102	(3,063)	(2,961)	0	(2,961)
Fund balances beginning of year, as restated	593	381,195	381,788	0	381,788
Fund balance end of year	\$ 695	378,132	378,827	0	378,827

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNITED 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	\$ 654,577	1,057,271	1,711,848
Receivables:			
Property tax:			
Delinquent	0	1,691	1,691
Succeeding year	0	375,111	375,111
Due from other governments	67,718	0	67,718
Total Assets	\$ 722,295	1,434,073	2,156,368
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 0	217,737	217,737
Deferred revenue:			
Succeeding year property tax	0	375,111	375,111
Total liabilities	0	592,848	592,848
Fund balances:			
Restricted for:			
School infrastructure	722,295	0	722,295
Physical plant and equipment	0	841,225	841,225
Total fund balances	722,295	841,225	1,563,520
Total Liabilities and Fund Balances	\$ 722,295	1,434,073	2,156,368

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 246,660	361,518	608,178
Other	829	1,499	2,328
Total revenues	<u>247,489</u>	<u>363,017</u>	<u>610,506</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	0	31,963	31,963
Administration	0	1,190	1,190
Operation and maintenance of plant	19,195	15,513	34,708
Transportation	0	79,669	79,669
Other expenditures:			
Facilities acquisitions	0	381,361	381,361
Total expenditures	<u>19,195</u>	<u>509,696</u>	<u>528,891</u>
Excess(Deficiency) of revenues over(under) expenditures	228,294	(146,679)	81,615
Other financing uses:			
Transfer out	0	(27,194)	(27,194)
Excess(Deficiency) or revenues and other financing sources over(under) expenditures	228,294	(173,873)	54,421
Fund balances beginning of year, as restated	<u>494,001</u>	<u>1,015,098</u>	<u>1,509,099</u>
Fund balance end of year	<u>\$ 722,295</u>	<u>841,225</u>	<u>1,563,520</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Student Council	\$ 593	255	162	686
Interest	0	9	0	9
Total	\$ 593	264	162	695

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNITED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
YEAR ENDED JUNE 30, 2011

	Balance			Balance
	Beginning			End
	of Year	Additions	Deletions	of Year
Assets				
Cash and pooled investments	\$ 237	0	0	237
Liabilities				
Due to other groups	\$ 237	0	0	237

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNITED COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR LAST EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 2,657,694	2,245,354	2,252,265	2,159,550	2,223,123	2,188,783	2,113,951	2,161,356
Tuition	440,537	270,840	1,285,106	1,274,648	1,219,202	1,035,103	1,045,940	1,006,027
Other	70,046	28,478	69,073	164,533	167,903	145,050	75,636	48,305
State sources	980,933	920,094	1,053,580	1,090,722	1,071,872	1,253,714	1,115,796	990,837
Federal sources	168,860	314,723	138,014	86,373	92,371	90,716	86,328	94,537
Total	<u>\$ 4,318,070</u>	<u>3,779,489</u>	<u>4,798,038</u>	<u>4,775,826</u>	<u>4,774,471</u>	<u>4,713,366</u>	<u>4,437,651</u>	<u>4,301,062</u>
Expenditures:								
Current:								
Instruction:								
Regular	\$ 2,119,282	2,128,118	2,744,751	2,411,291	2,452,806	2,233,046	2,449,747	2,377,029
Special	455,575	400,274	430,722	503,640	392,082	467,737	430,068	543,172
Other	290,275	228,099	240,073	215,471	86,972	108,152	1,960	22,003
Support services:								
Student	99,568	109,753	96,907	89,024	137,981	126,054	49,587	48,855
Instructional staff	66,147	67,827	112,514	63,664	18,336	50,248	43,795	72,729
Administration	477,431	490,145	486,215	474,542	397,150	351,022	347,571	350,298
Operation and maintenance of plant	312,755	774,751	289,359	255,613	254,876	235,374	215,282	226,266
Transportation	287,185	281,635	207,401	272,101	166,663	229,511	178,676	224,964
Non-instructional programs:								
Food service operations	0	0	0	1,903	1,570	1,158	31,503	23,617
Community service operations	2,323	0	0	0	459	1,452	1,032	4,116
Other expenditures:								
Facilities acquisitions	381,361	0	182,677	180,012	240,894	178,190	333,960	163,091
Long-term debt:								
Principal	22,512	26,272	0	0	0	0	0	0
Interest and fiscal charges	4,682	922	0	0	0	0	0	0
AEA flow-through	133,949	134,797	126,184	122,295	119,439	117,851	115,415	118,556
Total	<u>\$ 4,653,045</u>	<u>4,642,593</u>	<u>4,916,803</u>	<u>4,589,556</u>	<u>4,269,228</u>	<u>4,099,795</u>	<u>4,198,596</u>	<u>4,174,696</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of United Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 14, 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 United Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of United Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-11 and I-C-11 to be a significant deficiencies.

Compliance and Other Matters

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

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of United Community School District and other parties to whom United Community School District may report, including federal awarding agencies and pass-through entities, 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 United Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

February 14, 2012

UNITED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

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

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

Conclusion - Response accepted.

I-B-11 Grants - We noted during our audit that when expenditures for specific projects were posted, expenditures were not always properly posted to the appropriate projects.

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

Response - I began this position on May 2, 2011 and was not assigned a mentor to assist me until after my audit. This was the my first audit as the Business Manager I had gone through and is the main reason why many of these entries were not completed for year-end. The District will make sure to have these updated for the next fiscal year prior to the audit.

Conclusion - Response accepted.

I-C-11 Payroll Procedures - We noted during our audit while testing our payroll sample that the District overpaid a preschool teacher by \$111.62.

Recommendation - The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks.

Response - The individual that was paid too much returned this year as our head Daycare employee, and she was okay with having the pay being deducted from her checks this year. I have collected the \$111.62 shortage from a payroll deduction. I have also started typing all time cards into a spreadsheet to verify hours before being paid out to ensure the proper amount is being added in.

Conclusion - Response accepted.

UNITED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - District expenditures for the year ended June 30, 2011 exceeded the amount budgeted in the non-instructional function.

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

Response - The District did not watch over this budget for the last part of the year. The District plans to watch actual expenditures to budgeted expenditures for the fiscal year, and amend if needed.

Conclusion - Response accepted.

II-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-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.

II-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-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.

II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-11 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.

II-H-11 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-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.

II-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.

II-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance noted 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. 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		\$	436,896
Revenues:			
Statewide sales, services and use tax revenue	\$	246,660	
Other local revenues		829	
Other		57,105	304,594
			<u>741,490</u>
Expenditures/transfers out:			
Equipment	\$	19,195	19,195
Ending Balance			<u><u>\$ 722,295</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.

II-M-11 Contract Signatures - We noted during our audit instances of the Superintendent signing the contract of the Business Manager. Code Section 291.1 requires the Board President to sign all contracts including the Business Manager's contract to show board approval.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all contracts.

Response - The District had the Board President sign and date the Business Manager's contract this year. In the future, the Board President will sign all contracts entered into by the District.

Conclusion - Response accepted.

II-N-11 Deficit Balances - At June 30, 2011 the General Fund had a deficit unassigned fund balance of \$357,344. The District also had a deficit unrestricted net assets balance in the governmental activities of \$329,508.

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

Response - The District began digging into see why there was a deficit unassigned General Fund balance for fiscal year 2011, and is working to make sure that the District does not exceed expenditures for this year to cause this type of negative ending balance.

Conclusion - Response accepted.