

UNION COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2012

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Union Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2011 Election)		
Bart Frush	President	2013
Joe Connolly	Vice President	2011
Denny McLaughlin	Board Member	2011
Deb Oliver	Board Member	2011
Jim Barz	Board Member	2013
James Bronner	Board Member	2013
Robert Hanson	Board Member	2011

**Board of Education
(After September 2011 Election)**

Bart Frush	President	2013
Joe Connolly	Vice President	2015
Denny McLaughlin	Board Member	2015
Dawn Jensen	Board Member	2015
Jim Barz	Board Member	2013
James Bronner	Board Member	2013
Carie Marrah	Board Member	2015

School Officials

Neil Mullen	Superintendent	2012
Kathy Krug	District Secretary/Treasurer and Business Manager	2012
Steve Weidner	Attorney	2012

UNION COMMUNITY SCHOOL DISTRICT

EDUCATION TO MEET TOMORROW'S CHALLENGES

NOTLE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

Independent Auditor's Report

To the Board of Education of
Union Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Union Community School District, La Porte City, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Union Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2013 on our consideration of Union Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Members American Institute & Iowa Society of Certified Public Accountants

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan and the statements for the discretely presented component unit on pages 7 through 16 and 44 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Union Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,919,397 in fiscal year 2011 to \$12,044,624 in fiscal year 2012, while General Fund expenditures increased from \$11,344,525 in fiscal year 2011 to \$11,797,741 in fiscal year 2012. The District's General Fund balance increased from \$1,368,051 at June 30, 2011 to \$1,614,934 at June 30, 2012, an 18.05% increase.
- The increase in General Fund revenues was attributable to an increase in state source revenues in fiscal 2012. The increase in expenditures was due primarily to increased outflows in the instruction functional area.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

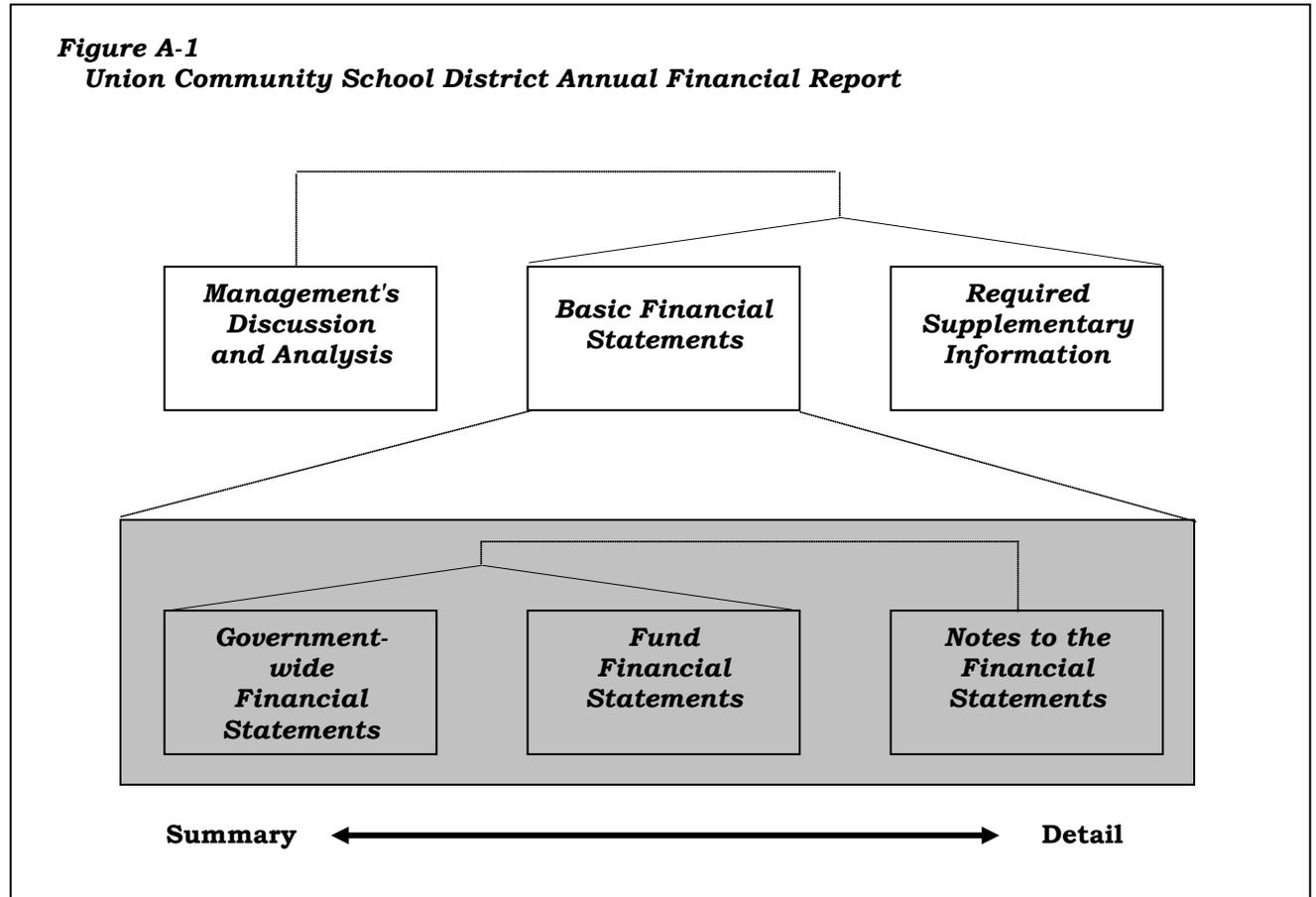


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.
- *Component unit:* This includes the activities of the Union Community School District portion of the Community Foundation of Northeast Iowa. The District receives significant financial benefits from the Foundation although they are legally separate entities.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for the proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trusts and Agency Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 9,929,589	9,669,831	129,524	111,518	10,059,113	9,781,349	2.84%
Capital assets	15,720,229	15,660,984	51,368	52,520	15,771,597	15,713,504	0.37%
Total assets	<u>25,649,818</u>	<u>25,330,815</u>	<u>180,892</u>	<u>164,038</u>	<u>25,830,710</u>	<u>25,494,853</u>	<u>1.32%</u>
Long-term obligations	9,102,733	9,502,399	831	534	9,103,564	9,502,933	-4.20%
Other liabilities	5,143,124	5,014,274	14,002	13,715	5,157,126	5,027,989	2.57%
Total liabilities	<u>14,245,857</u>	<u>14,516,673</u>	<u>14,833</u>	<u>14,249</u>	<u>14,260,690</u>	<u>14,530,922</u>	<u>-1.86%</u>
Net assets:							
Invested in capital assets, net of related debt	6,730,229	6,265,984	51,368	52,520	6,781,597	6,318,504	7.33%
Restricted	2,866,335	2,936,664	-	-	2,866,335	2,936,664	-2.39%
Unrestricted	1,807,397	1,611,494	114,691	97,269	1,922,088	1,708,763	12.48%
Total net assets	<u>\$ 11,403,961</u>	<u>10,814,142</u>	<u>166,059</u>	<u>149,789</u>	<u>11,570,020</u>	<u>10,963,931</u>	<u>5.53%</u>

The District's combined net assets increased 5.53%, or \$606,089, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased by \$70,329, or 2.39% from the prior year. The decline in restricted net assets is mostly due to the reduction in Capital Projects Fund accounts.

Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased by \$213,325 or 12.48%, over the prior year. The increase in unrestricted net assets was largely a result of the improvement in the General Fund unassigned balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to June 30, 2011.

Figure A-4							
Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 951,411	895,748	418,501	418,394	1,369,912	1,314,142	4.24%
Operating grants, contributions and restricted interest	1,009,879	1,067,414	264,627	256,969	1,274,506	1,324,383	-3.77%
Capital grants, contributions and restricted interest	123,533	-	-	-	123,533	-	100.00%
General revenues and transfers:							
Property tax	4,237,906	4,027,139	-	-	4,237,906	4,027,139	5.23%
Income surtax	496,826	601,215	-	-	496,826	601,215	-17.36%
Statewide sales, services and use tax	1,005,590	1,075,595	-	-	1,005,590	1,075,595	-6.51%
Unrestricted state grants	6,086,380	5,661,784	-	-	6,086,380	5,661,784	7.50%
Nonspecific program federal revenues	3,714	375,813	-	-	3,714	375,813	-99.01%
Unrestricted interest revenue	4,684	4,871	79	71	4,763	4,942	-3.62%
Other general revenue	74,152	130,655	-	3,263	74,152	133,918	-44.63%
Transfers	619	(101,271)	(619)	(854)	-	(102,125)	100.00%
Total revenues and transfers	13,994,694	13,738,963	682,588	677,843	14,677,282	14,416,806	1.81%
Program expenses:							
Governmental activities:							
Instructional	8,481,397	7,915,966	-	-	8,481,397	7,915,966	7.14%
Support services	4,245,113	3,634,139	23,786	13,300	4,268,899	3,647,439	17.04%
Non-instructional programs	1,180	955	642,532	628,282	643,712	629,237	2.30%
Other expenses	1,343,252	1,150,119	-	-	1,343,252	1,150,119	16.79%
Total expenses	14,070,942	12,701,179	666,318	641,582	14,737,260	13,342,761	10.45%
Change in net assets before extraordinary item	(76,248)	1,037,784	16,270	36,261	(59,978)	1,074,045	-105.58%
Extraordinary item(Note 12):							
Compensation for loss of assets	666,067	-	-	-	666,067	-	100.00%
Change in net assets	589,819	1,037,784	16,270	36,261	606,089	1,074,045	-43.57%
Net assets beginning of year	10,814,142	9,776,358	149,789	113,528	10,963,931	9,889,886	10.86%
Net assets end of year	\$ 11,403,961	10,814,142	166,059	149,789	11,570,020	10,963,931	5.53%

In fiscal 2012, property tax and unrestricted state grants account for 73.77% of the revenue from governmental activities while charges for services and operating grants and contributions account for all of the revenue from business type activities. The District's total revenues were \$14,677,282, of which \$13,994,694 was for governmental activities and \$682,588 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.81% increase in revenues and a 10.45% increase in expenditures. Property tax increased \$210,767 to fund the increase in expenses. The increase in expenses is primarily related to increases in instruction and support services expenditures during the year.

Governmental Activities

Revenues for governmental activities were \$13,994,694 and expenses were \$14,070,942.

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, 2012 compared to the year ended June 30, 2011.

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 8,481,397	7,915,966	7.14%	6,978,500	6,577,821	6.09%
Support services	4,245,113	3,634,139	16.81%	4,170,148	3,560,324	17.13%
Non-instructional	1,180	955	23.56%	1,180	955	23.56%
Other expenses	1,343,252	1,150,119	16.79%	836,291	598,917	39.63%
Totals	<u>\$ 14,070,942</u>	<u>12,701,179</u>	<u>10.78%</u>	<u>11,986,119</u>	<u>10,738,017</u>	<u>11.62%</u>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$951,411.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,133,512.
- The net cost of governmental activities was financed with \$4,237,906 in property tax, \$496,826 in income surtax, \$1,005,590 in statewide sales, services and use tax, \$6,086,380 in unrestricted state grants, \$3,714 in nonspecific program federal revenues, \$4,684 in interest income, and \$74,671 in other general revenues and transfers.

Business type Activities

Revenues of the District's business type activities were \$682,588 and expenses were \$666,318. The District's business type activities include the School Nutrition Fund. Revenues of these activities were largely comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,287,453, exceeding last year's ending fund balances of \$4,136,533. The primary reason for the increase in combined fund balances in fiscal 2012 is the increase in the General Fund balance.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Revenues from state sources increased significantly to help offset the increase in General Fund expenses. The District was able to limit the increase in expenditures during the year; which helped to generate the \$246,883 increase in fund balance.
- The Capital Projects Fund balance decreased from \$1,354,091 at June 30, 2011 to \$1,177,461 at June 30, 2012. The decrease in fund balance can be attributed to the continued expenditures associated with various construction projects which were completed during the year.

Proprietary Funds Highlights

- The School Nutrition Fund net assets increased from \$149,789 at June 30, 2011 to \$166,059 at June 30, 2012, representing an increase of 10.86%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Union Community School District amended its budget one time to reflect additional expenditures associated with the various construction projects underway during the year.

The District's revenues were \$49,311 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$15,771,597, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and construction in progress. (See Figure A-6) There is more detailed information about the District's capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$872,654.

The original cost of the District's capital assets was \$27,722,169. Governmental funds account for \$27,474,818 with the remainder of \$247,351 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$196,112 at June 30, 2011, compared to \$284,403 reported at June 30, 2012.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 53,729	53,729	-	-	53,729	53,729	0.00%
Construction in progress	284,403	196,112	-	-	284,403	196,112	45.02%
Buildings	11,256,924	11,023,875	-	-	11,256,924	11,023,875	2.11%
Land improvements	3,293,194	3,477,306	-	-	3,293,194	3,477,306	-5.29%
Machinery and equipment	831,979	909,962	51,368	52,520	883,347	962,482	-8.22%
Total	\$ 15,720,229	15,660,984	51,368	52,520	15,771,597	15,713,504	0.37%

Long-Term Debt

At June 30, 2012, the District had \$9,103,564 in total long-term debt outstanding. This represents a decrease of 4.20% from last year. (See Figure A-7) There is more detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had \$8,990,000 of outstanding revenue bonded indebtedness at June 30, 2012.

The District had total outstanding early retirement payable of \$99,870 from the Special Revenue, Management Levy Fund at June 30, 2012.

In accordance with GASB Statement No. 45, the OPEB liability increased \$4,904 during fiscal 2012. At June 30, 2012, the total liability facing the District for other postemployment benefits was \$13,694.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Revenue bonds	\$ 8,990,000	9,395,000	-	-	8,990,000	9,395,000	-4.31%
Early retirement	99,870	99,143	-	-	99,870	99,143	0.73%
Net OPEB liability	12,863	8,256	831	534	13,694	8,790	55.79%
Total	\$ 9,102,733	9,502,399	831	534	9,103,564	9,502,933	-4.20%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has been experiencing declining enrollment which adversely affects District funding.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District.

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- On July 1, 2012, the IPERS employer contribution increase to 8.67% will increase the Union Community School District's employer benefit costs during fiscal 2013. An additional increase to 8.93% is anticipated for fiscal 2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government			Component Unit
	Govern- mental Activities	Business Type Activities	Total	Union Community School District Foundation
Assets				
Cash and pooled investments	\$ 4,642,008	114,343	4,756,351	155,530
Receivables:				
Property tax:				
Delinquent	58,391	-	58,391	-
Succeeding year	4,214,358	-	4,214,358	-
Income surtax	523,438	-	523,438	-
Accounts	35,698	1,453	37,151	-
Due from other governments	455,696	-	455,696	-
Inventories	-	13,728	13,728	-
Capital assets, net of accumulated depreciation	15,720,229	51,368	15,771,597	-
Total assets	25,649,818	180,892	25,830,710	155,530
Liabilities				
Accounts payable	275,289	2,182	277,471	-
Salaries and benefits payable	628,480	-	628,480	-
Accrued interest payable	24,426	-	24,426	-
Unearned revenue	-	11,820	11,820	-
Deferred revenue:				
Succeeding year property tax	4,214,358	-	4,214,358	-
Other	571	-	571	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds payable	410,000	-	410,000	-
Early retirement payable	99,870	-	99,870	-
Portion due after one year:				
Revenue bonds payable	8,580,000	-	8,580,000	-
Net OPEB liability	12,863	831	13,694	-
Total liabilities	14,245,857	14,833	14,260,690	-
Net Assets				
Invested in capital assets, net of related debt	6,730,229	51,368	6,781,597	-
Restricted for:				
Categorical funding	293,686	-	293,686	-
Debt service	852,968	-	852,968	-
Management levy purposes	329,882	-	329,882	-
Student activities	182,920	-	182,920	-
Other special purposes	29,418	-	29,418	-
School infrastructure	1,122,692	-	1,122,692	-
Physical plant and equipment	54,769	-	54,769	-
Unrestricted	1,807,397	114,691	1,922,088	155,530
Total net assets	\$ 11,403,961	166,059	11,570,020	155,530

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		Component Unit
					Govern- mental Activities	Business Type Activities	Union Community School District Foundation
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 5,077,022	349,511	148,070	-	(4,579,441)	-	-
Special	1,847,718	-	233,047	-	(1,614,671)	-	-
Other	1,556,657	533,749	114,987	123,533	(784,388)	-	-
	<u>8,481,397</u>	<u>883,260</u>	<u>496,104</u>	<u>123,533</u>	<u>(6,978,500)</u>	<u>-</u>	<u>-</u>
Support services:							
Student	345,647	-	20	-	(345,627)	-	-
Instructional staff	507,467	-	-	-	(507,467)	-	-
Administration	1,235,737	-	-	-	(1,235,737)	-	-
Operation and maintenance of plant	1,376,855	-	-	-	(1,376,855)	-	-
Transportation	779,407	68,151	6,794	-	(704,462)	-	-
	<u>4,245,113</u>	<u>68,151</u>	<u>6,814</u>	<u>-</u>	<u>(4,170,148)</u>	<u>-</u>	<u>-</u>
Non-instructional programs:							
Other enterprise operations	1,180	-	-	-	(1,180)	-	-
Long-term debt interest	301,033	-	-	-	(301,033)	-	-
Other expenditures:							
AEA flowthrough	506,961	-	506,961	-	-	-	-
Depreciation(unallocated)*	535,258	-	-	-	(535,258)	-	-
	<u>1,042,219</u>	<u>-</u>	<u>506,961</u>	<u>-</u>	<u>(535,258)</u>	<u>-</u>	<u>-</u>
Total governmental activities	14,070,942	951,411	1,009,879	123,533	(11,986,119)	-	-
Business type activities:							
Support services:							
Student	1,672	-	-	-	(1,672)	(1,672)	-
Administration	3,914	-	-	-	(3,914)	(3,914)	-
Operation and maintenance of plant	18,200	-	-	-	(18,200)	(18,200)	-
	<u>23,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,786)</u>	<u>(23,786)</u>	<u>-</u>
Non-instructional programs:							
Nutrition services	642,532	418,501	264,627	-	-	40,596	-
Total business type activities	<u>666,318</u>	<u>418,501</u>	<u>264,627</u>	<u>-</u>	<u>-</u>	<u>16,810</u>	<u>-</u>
Total primary government	\$ 14,737,260	1,369,912	1,274,506	123,533	(11,986,119)	16,810	(11,969,309)
Total component unit	\$ 18,566	-	10,550	-	-	-	(8,016)
General Revenues and Transfers:							
General Revenues:							
Local tax for:							
General purposes				\$ 4,126,033	-	4,126,033	-
Capital outlay				111,873	-	111,873	-
Income surtax				496,826	-	496,826	-
Statewide sales, services and use tax				1,005,590	-	1,005,590	-
Unrestricted state grants				6,086,380	-	6,086,380	-
Nonspecific program federal revenues				3,714	-	3,714	-
Unrestricted investment earnings				4,684	79	4,763	3,721
Unrealized loss				-	-	-	(3,869)
Other general revenue				74,152	-	74,152	-
Transfers				619	(619)	-	-
Total general revenues and transfers				<u>11,909,871</u>	<u>(540)</u>	<u>11,909,331</u>	<u>(148)</u>
Changes in net assets before extraordinary item				(76,248)	16,270	(59,978)	(8,164)
Extraordinary item(Note 12):							
Compensation for loss of assets				666,067	-	666,067	-
Change in net assets				589,819	16,270	606,089	(8,164)
Net assets beginning of year				10,814,142	149,789	10,963,931	163,694
Net assets end of year				<u>\$ 11,403,961</u>	<u>166,059</u>	<u>11,570,020</u>	<u>155,530</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	Capital			Total
	General	Projects	Nonmajor	
Assets				
Cash and pooled investments	\$ 2,271,169	864,720	1,506,119	4,642,008
Receivables:				
Property tax:				
Delinquent	53,398	1,539	3,454	58,391
Succeeding year	3,829,530	117,795	267,033	4,214,358
Income surtax	523,438	-	-	523,438
Accounts	16,623	9,710	9,365	35,698
Due from other governments	147,504	308,192	-	455,696
Total assets	\$ 6,841,662	1,301,956	1,785,971	9,929,589
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 244,709	6,700	23,880	275,289
Salaries and benefits payable	628,480	-	-	628,480
Deferred revenue:				
Succeeding year property tax	3,829,530	117,795	267,033	4,214,358
Income surtax	523,438	-	-	523,438
Other	571	-	-	571
Total liabilities	5,226,728	124,495	290,913	5,642,136
Fund balances:				
Restricted for:				
Categorical funding	293,686	-	-	293,686
Debt service	-	-	852,968	852,968
Management levy purposes	-	-	429,752	429,752
Student activities	-	-	182,920	182,920
Other special purposes	-	-	29,418	29,418
School infrastructure	-	1,122,692	-	1,122,692
Physical plant and equipment	-	54,769	-	54,769
Unassigned	1,321,248	-	-	1,321,248
Total fund balances	1,614,934	1,177,461	1,495,058	4,287,453
Total liabilities and fund balances	\$ 6,841,662	1,301,956	1,785,971	9,929,589

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds(page 20) \$ 4,287,453

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 15,720,229

Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. 523,438

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. (24,426)

Long-term liabilities, including bonds payable, early retirement payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (9,102,733)

Net assets of governmental activities(page 18) \$ 11,403,961

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Capital			Total
	General	Projects	Nonmajor	
Revenues:				
Local sources:				
Local tax	\$ 4,392,872	1,117,463	250,674	5,761,009
Tuition	355,966	-	-	355,966
Other	224,819	951	618,731	844,501
State sources	6,793,711	-	-	6,793,711
Federal sources	259,575	-	-	259,575
Total revenues	<u>12,026,943</u>	<u>1,118,414</u>	<u>869,405</u>	<u>14,014,762</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,805,693	17,239	287,171	5,110,103
Special	1,847,718	-	-	1,847,718
Other	1,129,817	-	425,030	1,554,847
	<u>7,783,228</u>	<u>17,239</u>	<u>712,201</u>	<u>8,512,668</u>
Support services:				
Student	311,308	-	585	311,893
Instructional staff	409,734	3,850	1,610	415,194
Administration	1,212,277	30	16,232	1,228,539
Operation and maintenance of plant	919,719	4,219	51,061	974,999
Transportation	653,334	79,148	11,941	744,423
	<u>3,506,372</u>	<u>87,247</u>	<u>81,429</u>	<u>3,675,048</u>
Non-instructional programs:				
Other enterprise operations	1,180	-	-	1,180
Capital outlay	-	1,128,963	-	1,128,963
Long-term debt:				
Principal	-	-	405,000	405,000
Interest and fiscal charges	-	-	301,708	301,708
	<u>-</u>	<u>-</u>	<u>706,708</u>	<u>706,708</u>
Other expenditures:				
AEA flowthrough	506,961	-	-	506,961
Total expenditures	<u>11,797,741</u>	<u>1,233,449</u>	<u>1,500,338</u>	<u>14,531,528</u>
Excess(Deficiency) of revenues over(under)expenditures	229,202	(115,035)	(630,933)	(516,766)
Other financing sources(uses):				
Transfer in	619	-	712,145	712,764
Transfer out	-	(711,600)	(545)	(712,145)
Sale of equipment	1,000	-	-	1,000
Compensation for loss of assets	16,062	650,005	-	666,067
Total other financing sources(uses)	<u>17,681</u>	<u>(61,595)</u>	<u>711,600</u>	<u>667,686</u>
Net change in fund balances	246,883	(176,630)	80,667	150,920
Fund balances beginning of year	<u>1,368,051</u>	<u>1,354,091</u>	<u>1,414,391</u>	<u>4,136,533</u>
Fund balances end of year	<u>\$ 1,614,934</u>	<u>1,177,461</u>	<u>1,495,058</u>	<u>4,287,453</u>

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds(page 22) \$ 150,920

**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 not reported in the Statement of Activities 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 outlay	\$ 921,802	
Depreciation expense	(862,557)	59,245

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (20,687)

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	(727)	
Other postemployment benefits	(4,607)	(5,334)

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. 405,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 675

Change in net assets of governmental activities(page 19) \$ 589,819

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	School Nutrition
Assets	
Cash and pooled investments	\$ 114,343
Accounts receivable	1,453
Inventories	13,728
Capital assets, net of accumulated depreciation	51,368
Total assets	180,892
 Liabilities	
Accounts payable	2,182
Unearned revenue	11,820
Net OPEB liability	831
Total liabilities	14,833
 Net Assets	
Invested in capital assets	51,368
Unrestricted	114,691
Total net assets	\$ 166,059

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 418,501
Operating expenses:	
Support services:	
Student:	
Services	1,672
Administration:	
Services	3,914
Operation and maintenance of plant:	
Services	18,200
	23,786
Non-instructional programs:	
Food service operations:	
Salaries	180,136
Benefits	108,361
Services	723
Supplies	343,140
Depreciation	10,097
Other	75
	642,532
Total operating expenses	666,318
Operating loss	(247,817)
Non-operating revenues:	
State sources	6,179
Federal sources	258,448
Interest income	79
Total non-operating revenues	264,706
Change in net assets before other financing uses	16,889
Other financing uses:	
Transfer out	(619)
Increase in net assets	16,270
Net assets beginning of year	149,789
Net assets end of year	\$ 166,059

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 419,610
Cash payments to employees for services	(288,200)
Cash payments to suppliers for goods or services	(317,514)
Net cash used by operating activities	(186,104)
Cash flows from non-capital financing activities:	
State grants received	6,179
Federal grants received	214,973
Transfer to General Fund	(619)
Net cash provided by non-capital financing activities	220,533
Cash flows from capital financing activities:	
Acquisition of capital assets	(8,945)
Cash flows from investing activities:	
Interest on investment	79
Net increase in cash and cash equivalents	25,563
Cash and cash equivalents beginning of year	88,780
Cash and cash equivalents end of year	\$ 114,343
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (247,817)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	43,475
Depreciation	10,097
Decrease in inventories	6,266
Decrease in accounts receivable	1,291
Increase in accounts payable	469
Decrease in unearned revenue	(182)
Increase in other postemployment benefits	297
Net cash used by operating activities	\$ (186,104)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received \$43,475 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarship</u>	
Assets		
Cash and pooled investments	\$ 285,923	9,052
Liabilities		
Accounts payable	-	352
Due to other groups	-	8,700
Total liabilities	<u>-</u>	<u>9,052</u>
Net Assets		
Restricted for scholarships	<u>\$ 285,923</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 2,320
Interest income	207
Total additions	2,527
 Deductions:	
Instruction:	
Regular:	
Scholarships awarded	3,800
 Change in net assets	(1,273)
 Net assets beginning of year	287,196
 Net assets end of year	\$ 285,923

SEE NOTES TO FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Union Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

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

Discretely Presented Component Unit

The Union Community School District Foundation was created in 2006 to raise money through contributions and fundraisers to benefit the District. The Foundation is a component fund within the Community Foundation of Waterloo/Cedar Falls and Northeast Iowa, a separate legal entity with its own accounting records and board of trustees. The Foundation does not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation is accounted for as a governmental fund in these financial statements.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets -Capital assets, which include property, machinery and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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

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

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

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

Unassigned - All amounts not included in the preceding classification.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; 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, 2012 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$24,518 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) **Iowa School Cash Anticipation Program (ISCAP)**

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

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The Series 2011-12A included taxable and tax-exempt warrants. The District participated in the issuance of the taxable warrants. The interest rates on the taxable Series 2011-12A and taxable Series 2011-12B warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 100 basis points. A summary of the District's ISCAP activity for the year is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2011-12A	6/30/11	6/21/12	\$ -	25,001	25,001	-

During the year ended June 30, 2012, the District paid \$10 of interest on the ISCAP warrants.

(4) Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Nutrition	\$ 619
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	711,600
Support Trust	Student Activity	545
Total		<u>\$ 712,764</u>

The transfer from the Nutrition Fund to the General Fund was needed to move Team Nutrition Grant funds.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's revenue bond indebtedness.

The transfer from the Student Activity Fund to the Support Trust Fund was needed to move funds that were intended to be a donation for weight room equipment.

(5) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 9,395,000	-	405,000	8,990,000	410,000
Early retirement	99,143	99,870	99,143	99,870	99,870
Net OPEB liability	8,256	4,607	-	12,863	-
Total	<u>\$ 9,502,399</u>	<u>104,477</u>	<u>504,143</u>	<u>9,102,733</u>	<u>509,870</u>
Business type activities:					
Net OPEB liability	\$ 534	297	-	831	-

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated October 6, 2010			
	Interest Rates	Principal	Interest	Total
2013	2.00 %	\$ 410,000	293,109	703,109
2014	2.00	415,000	284,909	699,909
2015	2.00	420,000	276,608	696,608
2016	3.00	430,000	268,209	698,209
2017	3.00	445,000	255,309	700,309
2018-2022	3.00-3.30	2,465,000	1,063,500	3,528,500
2023-2027	3.40-3.75	3,005,000	620,762	3,625,762
2028-2029	4.00	1,400,000	84,600	1,484,600
Total		\$ 8,990,000	3,147,006	12,137,006

The District has pledged future statewide sales, services and use tax revenues to repay the \$9,900,000 of bonds issued October 6, 2010. The bonds were issued for the purpose of repaying \$8,800,000 of revenue bond anticipation notes issued during fiscal year 2010 and to finance a portion of the costs for various construction projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 70% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$12,137,006. For the current year, principal of \$405,000 and interest of \$301,209 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,005,590.

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

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

Early Retirement

The District offered a voluntary early retirement plan to its certified employees and support staff. Eligible employees must have been at least age fifty-five and employees must have

completed fifteen years of continuous service to the District. Employees completed an application which was required to be approved by the Board of Education. The early retirement incentive for each eligible employee is 55% of current year's salary, exclusive of supplemental pay, extended contract pay, or overtime. Early retirement benefits paid during the year ended June 30, 2012, totaled \$99,143. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 53,729	-	-	53,729
Construction in progress	196,112	672,486	584,195	284,403
Total capital assets not being depreciated	<u>249,841</u>	<u>672,486</u>	<u>584,195</u>	<u>338,132</u>
Capital assets being depreciated:				
Buildings	16,211,321	584,195	-	16,795,516
Land improvements	4,836,547	-	-	4,836,547
Machinery and equipment	5,302,819	249,316	47,512	5,504,623
Total capital assets being depreciated	<u>26,350,687</u>	<u>833,511</u>	<u>47,512</u>	<u>27,136,686</u>
Less accumulated depreciation for:				
Buildings	5,187,446	351,146	-	5,538,592
Land improvements	1,359,241	184,112	-	1,543,353
Machinery and equipment	4,392,857	327,299	47,512	4,672,644
Total accumulated depreciation	<u>10,939,544</u>	<u>862,557</u>	<u>47,512</u>	<u>11,754,589</u>
Total capital assets being depreciated, net	<u>15,411,143</u>	<u>(29,046)</u>	<u>-</u>	<u>15,382,097</u>
Governmental activities capital assets, net	<u>\$ 15,660,984</u>	<u>643,440</u>	<u>584,195</u>	<u>15,720,229</u>
Business type activities:				
Machinery and equipment	\$ 238,406	8,945	-	247,351
Less accumulated depreciation	185,886	10,097	-	195,983
Business type activities capital assets, net	<u>\$ 52,520</u>	<u>(1,152)</u>	<u>-</u>	<u>51,368</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 22,086
Other	56,804
Support services:	
Instructional staff	116,435
Administration	6,490
Operation and maintenance of plant	12,633
Transportation	<u>112,851</u>
Unallocated depreciation	<u>535,258</u>
Total governmental activities depreciation expense	<u>\$ 862,557</u>
Business type activities:	
Food services	<u>\$ 10,097</u>

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$456,927, \$397,452 and \$383,973 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits(OPEB)

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

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 13,516
Interest on net OPEB obligation	264
Adjustment to annual required contribution	(442)
Annual OPEB cost	<u>13,338</u>
Contributions made	<u>(8,434)</u>
Increase in net OPEB obligation	4,904
Net OPEB obligation beginning of year	<u>8,790</u>
Net OPEB obligation end of year	<u>\$ 13,694</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, 2012.

For the year ended June 30, 2012, the District contributed \$8,434 to the medical plan. Plan members eligible for benefits contributed \$52,054 or 86.06% 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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 13,516	70.63%	\$ 3,969
2011	13,540	64.39%	8,790
2012	13,338	63.23%	13,694

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$129,719, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$129,719. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,786,465 and the ratio of the UAAL to covered payroll was 2.71%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the Projected Unit Cost and Entry Age actuarial methods were used. The actuarial assumptions include a 3.0% discount rate based on the District's funding policy. The projected annual medical trend rate started at 9%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

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

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

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$506,961 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(11) Construction Commitment

The District has entered into a contract for construction of a new bus barn totaling \$294,300. As of June 30, 2012, costs of \$244,275 have been incurred against the contract. The balance of \$50,025 remaining at June 30, 2012 will be paid as work on the project progresses. The total cost of the bus barn will be added to the District's capital asset listing upon completion.

(12) Extraordinary Item

During the year ended June 30, 2012, the District received insurance proceeds of \$666,067 from EMC Insurance Company for the total loss of a bus barn and damage to other District assets due to wind damage.

(13) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Weighted Limited English Proficient	\$ 7,747
Weighted At-Risk Programs	109,152
Gifted and Talented Programs	15,676
Teacher Salary Supplement	93,111
Professional Development for Model Core Curriculum	45,542
Professional Development	17,232
Market Factor Incentives	5,226
Total	<u>\$ 293,686</u>

UNION COMMUNITY SCHOOL DISTRICT

EDUCATION TO MEET TOMORROW'S CHALLENGES

REQUIRED SUPPLEMENTARY INFORMATION

UNION COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 6,961,476	418,580	7,380,056	7,280,027	7,280,027	100,029
State sources	6,793,711	6,179	6,799,890	6,911,631	6,911,631	(111,741)
Federal sources	259,575	258,448	518,023	457,000	457,000	61,023
Total revenues	14,014,762	683,207	14,697,969	14,648,658	14,648,658	49,311
Expenditures/Expenses:						
Instruction	8,512,668	-	8,512,668	8,667,000	8,667,000	154,332
Support services	3,675,048	23,786	3,698,834	3,881,000	3,881,000	182,166
Non-instructional programs	1,180	642,532	643,712	765,000	765,000	121,288
Other expenditures	2,342,632	-	2,342,632	1,959,413	2,659,413	316,781
Total expenditures/expenses	14,531,528	666,318	15,197,846	15,272,413	15,972,413	774,567
Excess(Deficiency) of revenues over(under) expenditures/expenses	(516,766)	16,889	(499,877)	(623,755)	(1,323,755)	823,878
Other financing sources(uses), net	667,686	(619)	667,067	-	-	667,067
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	150,920	16,270	167,190	(623,755)	(1,323,755)	1,490,945
Balances beginning of year	4,136,533	149,789	4,286,322	3,382,623	3,382,623	903,699
Balances end of year	\$ 4,287,453	166,059	4,453,512	2,758,868	2,058,868	2,394,644

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$700,000.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 129,719	129,719	0.00%	\$ 4,846,488	2.68%
2011	July 1, 2009	-	129,719	129,719	0.00%	4,877,092	2.66%
2012	July 1, 2009	-	129,719	129,719	0.00%	4,786,465	2.71%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND
NET ASSETS - CASH BASIS
COMPONENT UNIT
JUNE 30, 2012

	<u>Union Community School District Foundation</u>
Assets	
Cash and pooled investments	\$ 155,530
Liabilities	<u>-</u>
Net Assets	
Unrestricted	\$ 155,530

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS - CASH BASIS
 COMPONENT UNIT
 YEAR ENDED JUNE 30, 2012

	Union Community School District Foundation
Revenues:	
Contributions	\$ 10,550
Expenses:	
Tuition payments/Scholarships	16,300
Administrative services	2,266
Total expenses	18,566
Operating income	(8,016)
Non-operating revenues(expenses):	
Unrealized loss	(3,869)
Interest income	3,721
Total non-operating revenues(expenses)	(148)
Changes in net assets	(8,164)
Net assets beginning of year	163,694
Net assets end of year	\$ 155,530

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

UNION COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue					
	Student Activity	Management Levy	Support Trust	Total	Debt Service	Total Nonmajor
Assets						
Cash and pooled investments	\$ 178,650	426,298	48,203	653,151	852,968	1,506,119
Receivables:						
Property tax:						
Delinquent	-	3,454	-	3,454	-	3,454
Succeeding year	-	267,033	-	267,033	-	267,033
Accounts	8,598	-	767	9,365	-	9,365
Total assets	\$ 187,248	696,785	48,970	933,003	852,968	1,785,971
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 4,328	-	19,552	23,880	-	23,880
Deferred revenue:						
Succeeding year property tax	-	267,033	-	267,033	-	267,033
Total liabilities	4,328	267,033	19,552	290,913	-	290,913
Fund Balances:						
Restricted for:						
Debt service	-	-	-	-	852,968	852,968
Management levy purposes	-	429,752	-	429,752	-	429,752
Student activities	182,920	-	-	182,920	-	182,920
Other special purposes	-	-	29,418	29,418	-	29,418
Total fund balances	182,920	429,752	29,418	642,090	852,968	1,495,058
Total liabilities and fund balances	\$ 187,248	696,785	48,970	933,003	852,968	1,785,971

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue					Total Nonmajor
	Student Activity	Manage- ment Levy	Support Trust	Total	Debt Service	
Revenues:						
Local sources:						
Local tax	\$ -	250,674	-	250,674	-	250,674
Other	490,297	12,339	115,052	617,688	1,043	618,731
Total revenues	490,297	263,013	115,052	868,362	1,043	869,405
Expenditures:						
Current:						
Instruction:						
Regular	-	172,488	114,683	287,171	-	287,171
Other	425,030	-	-	425,030	-	425,030
Support services:						
Student	585	-	-	585	-	585
Instructional staff	1,610	-	-	1,610	-	1,610
Administration	16,232	-	-	16,232	-	16,232
Operation and maintenance of plant	5,829	45,232	-	51,061	-	51,061
Transportation	-	11,941	-	11,941	-	11,941
Long-term debt:						
Principal	-	-	-	-	405,000	405,000
Interest and fiscal charges	-	-	-	-	301,708	301,708
Total expenditures	449,286	229,661	114,683	793,630	706,708	1,500,338
Excess(Deficiency) of revenues over(under) expenditures	41,011	33,352	369	74,732	(705,665)	(630,933)
Other financing sources(uses):						
Transfer in	-	-	545	545	711,600	712,145
Transfer out	(545)	-	-	(545)	-	(545)
Total other financing sources(uses)	(545)	-	545	-	711,600	711,600
Net change in fund balances	40,466	33,352	914	74,732	5,935	80,667
Fund balances beginning of year	142,454	396,400	28,504	567,358	847,033	1,414,391
Fund balances end of year	\$ 182,920	429,752	29,418	642,090	852,968	1,495,058

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 814,500	50,220	864,720
Receivables:			
Property tax:			
Delinquent	-	1,539	1,539
Succeeding year	-	117,795	117,795
Accounts	-	9,710	9,710
Due from other governments	308,192	-	308,192
Total assets	\$ 1,122,692	179,264	1,301,956
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	6,700	6,700
Deferred revenue:			
Succeeding year property tax	-	117,795	117,795
Total liabilities	-	124,495	124,495
Fund balances:			
Restricted for:			
School infrastructure	1,122,692	-	1,122,692
Physical plant and equipment	-	54,769	54,769
Total fund balances	1,122,692	54,769	1,177,461
Total liabilities and fund balances	\$ 1,122,692	179,264	1,301,956

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 1,005,590	111,873	1,117,463
Other	855	96	951
Total revenues	<u>1,006,445</u>	<u>111,969</u>	<u>1,118,414</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	17,239	17,239
Support services:			
Instructional staff	-	3,850	3,850
Administration	30	-	30
Operation and maintenance of plant	-	4,219	4,219
Transportation	-	79,148	79,148
Capital outlay	403,844	725,119	1,128,963
Total expenditures	<u>403,874</u>	<u>829,575</u>	<u>1,233,449</u>
Excess(Deficiency) of revenues over(under) expenditures	602,571	(717,606)	(115,035)
Other financing sources(uses):			
Transfer out	(711,600)	-	(711,600)
Compensation for loss of assets	-	650,005	650,005
Total other financing sources(uses)	<u>(711,600)</u>	<u>650,005</u>	<u>(61,595)</u>
Net change in fund balances	(109,029)	(67,601)	(176,630)
Fund balances beginning year	<u>1,231,721</u>	<u>122,370</u>	<u>1,354,091</u>
Fund balances end of year	<u>\$ 1,122,692</u>	<u>54,769</u>	<u>1,177,461</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Transfers	Balance End of Year
Drama	\$ 9,112	9,700	7,238	-	11,574
Speech	4,413	8,702	6,973	-	6,142
Middle School Music	-	25	-	-	25
Choir	2,070	14,234	10,264	-	6,040
Choir Robes	6,498	1,018	-	-	7,516
High School Band	729	20,595	20,778	-	546
Band Uniforms Fees	3,968	831	-	-	4,799
Middle School Band	1	-	-	-	1
Student Activity	-	91	91	-	-
Activity Tickets	-	60	60	-	-
Memory Book	3,972	2,746	3,229	-	3,489
Cross Country	-	1,768	1,768	-	-
High School Boys Basketball	3,290	6,696	7,899	-	2,087
Middle School Boys Basketball	-	560	560	-	-
High School Football	8,229	40,015	44,067	(545)	3,632
Middle School Football	-	5,430	5,430	-	-
High School Baseball	640	8,749	7,520	-	1,869
Middle School Baseball	-	128	128	-	-
High School Boys Track	97	3,543	3,496	-	144
Middle School Boys Track	-	1,857	1,857	-	-
Boys Tennis	-	206	206	-	-
Boys Golf	-	983	983	-	-
High School Wrestling	-	9,505	6,836	-	2,669
Middle School Wrestling	-	468	468	-	-
High School Girls Basketball	2,836	6,016	5,280	-	3,572
Middle School Girls Basketball	-	280	280	-	-
High School Volleyball	3,825	3,618	5,137	-	2,306
Middle School Volleyball	-	437	437	-	-
Girls Soccer	869	12,918	11,789	-	1,998
High School Softball	462	7,861	5,291	-	3,032
Middle School Softball	-	1,186	1,186	-	-
High School Girls Track	518	4,508	2,880	-	2,146
Middle School Girls Track	-	1,481	938	-	543
Girls Tennis	-	226	226	-	-
Girls Golf	-	943	943	-	-
High School General Athletics	-	5,355	5,355	-	-
Middle School General Athletics	2,941	14,871	16,573	-	1,239
Booster Club	13,704	40,020	37,355	-	16,369
Annuals-prior years	3,126	20	321	-	2,825
Annual 2011	7,577	403	7,980	-	-
Annual 2012	-	12,010	118	-	11,892
Annual 2013	404	-	-	-	404

SEE ACCOMPANYING INDEPENDENT AUDITOR REPORT

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Transfers	Balance End of Year
Candy	1,452	-	-	-	1,452
High School Concessions	3,280	60,529	55,516	-	8,293
Middle School Concessions	4,520	12,294	9,394	-	7,420
Union After prom	1,750	19,184	17,565	-	3,369
FFA	11,620	22,717	23,145	-	11,192
High School Dance Squad	-	1,547	400	-	1,147
Fruit/Juice Break	1,003	7,643	7,504	-	1,142
Elementary Annuals	-	5,051	3,953	-	1,098
Elem - LPC Art Show	385	-	76	-	309
Elem - LPC	1,648	-	1,648	-	-
Magazine sales	-	18,025	18,025	-	-
Math Club	149	-	-	-	149
National Honor Society	593	584	1,064	-	113
High School Cheerleaders	3,572	13,858	13,097	-	4,333
Middle School Cheerleaders	106	600	607	-	99
Class of 2012	-	10	-	-	10
Class of 2013	3,075	1,038	4,113	-	-
Class of 2014	2,968	2	37	-	2,933
Class of 2015	3,822	3	450	-	3,375
Class of 2016	1,367	482	-	-	1,849
Class of 2017	1,028	848	-	-	1,876
Class of 2018	-	962	-	-	962
Spanish Club	917	-	-	-	917
Student Council - DG	24	33,581	20,437	-	13,168
Student Council - HS	472	1,035	1,053	-	454
Student Council - LPC	3,763	2,021	570	-	5,214
Student Council - MS	4,635	2,535	2,977	-	4,193
Art Club	4,925	7,110	6,393	-	5,642
German Club	4,030	25,028	24,612	-	4,446
Talented and Gifted	257	125	107	-	275
Robotics	1,812	3,422	4,603	-	631
Total	\$ 142,454	490,297	449,286	(545)	182,920

UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Interfund Transfers	Balance End of Year
Bowers Estate	\$ 3,333	2	-	-	3,335
Larson Estate	23,579	13	-	-	23,592
Anders Estate	1,592	-	1,069	-	523
High School Weight Room	-	115,037	113,614	545	1,968
Total	\$ 28,504	115,052	114,683	545	29,418

SEE ACCOMPANYING INDEPENDENT AUDITOR REPORT

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST FUND
 JUNE 30, 2012

	Bader Scholarship	Anders Scholarship	Scholarship Pharmacy	Ellis Jones Scholarship Academic	Ellis Jones Scholarship Scholarship	FFA Scholarship	Art Scholarship	Misc Scholarship	Total
Assets									
Cash and pooled investments	\$ 1,269	109,828	87,414	85,417	1,545	200	250	285,923	
Liabilities	-	-	-	-	-	-	-	-	
Net Assets									
Restricted for scholarships	\$ 1,269	109,828	87,414	85,417	1,545	200	250	285,923	

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST FUND
 YEAR ENDED JUNE 30, 2012

	Bader Scholarship	Anders Scholarship	Ellis Jones Scholarship Pharmacy	Ellis Jones Scholarship Academic	FFA Scholarship	Art Scholarship	Misc Scholarship	Total
Additions:								
Local sources:								
Gifts and contributions	\$ -	-	-	-	1,770	300	250	2,320
Interest	1	97	51	58	-	-	-	207
Total additions	1	97	51	58	1,770	300	250	2,527
Deductions:								
Instruction:								
Regular:								
Scholarships awarded	-	2,000	-	-	1,600	200	-	3,800
Change in net assets	1	(1,903)	51	58	170	100	250	(1,273)
Net assets beginning of year	1,268	111,731	87,363	85,359	1,375	100	-	287,196
Net assets end of year	\$ 1,269	109,828	87,414	85,417	1,545	200	250	285,923

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNION COMMUNITY SCHOOLS DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2012

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 7,801	7,206	5,955	9,052
Liabilities				
Accounts payable	\$ -	352	-	352
Due to other groups	7,801	6,854	5,955	8,700
	\$ 7,801	7,206	5,955	9,052

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis								
	Years Ended June 30								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 5,761,009	5,626,185	5,446,833	5,318,917	4,908,032	4,765,008	4,458,264	4,239,101	4,214,060
Tuition	355,966	355,847	336,776	335,516	323,064	386,344	352,167	294,161	273,420
Other	844,501	720,495	694,830	735,904	838,629	940,087	818,596	768,189	754,834
Intermediate sources	-	-	-	-	162,929	143,732	151,769	165,078	150,789
State sources	6,793,711	6,414,189	5,530,383	6,383,227	5,949,075	5,462,501	5,223,143	5,013,465	4,575,442
Federal sources	259,575	644,246	873,821	333,882	198,118	213,546	191,224	194,256	208,315
Total	\$ 14,014,762	13,760,962	12,882,643	13,107,446	12,379,847	11,911,218	11,195,163	10,674,250	10,176,860
Expenditures:									
Instruction:									
Regular	\$ 5,110,103	4,899,028	4,951,169	4,960,355	4,637,820	4,634,592	4,528,277	4,406,787	4,512,120
Special	1,847,718	1,464,316	1,342,679	1,602,117	1,251,387	1,364,343	1,295,911	1,249,955	1,121,715
Other	1,554,847	1,563,769	1,507,420	1,162,791	1,244,450	1,127,186	1,126,110	1,008,912	963,921
Support services:									
Student	311,893	310,315	297,358	318,617	249,800	238,529	231,459	218,384	205,122
Instructional staff	415,194	531,576	505,336	454,393	365,468	476,019	370,929	363,933	370,491
Administration	1,228,539	1,234,701	1,200,663	1,170,052	1,174,637	1,141,204	1,079,520	995,038	906,163
Operation and maintenance of plant	974,999	968,027	860,159	879,724	798,996	809,692	882,795	757,981	748,422
Transportation	744,423	711,315	625,797	807,307	729,181	758,313	719,310	554,188	623,573
Non-instructional programs	1,180	955	11,749	3,916	795	3,571	6,903	3,912	-
Capital outlay	1,128,963	2,864,149	7,438,402	596,369	532,857	221,974	60,715	13,956	61,063
Long-term debt:									
Principal	405,000	9,305,000	-	430,000	370,000	325,000	290,000	725,000	305,000
Interest and fiscal charges	301,708	265,562	122,845	17,400	33,650	49,150	63,650	95,673	110,412
Other expenditures:									
AEA flowthrough	506,961	551,202	536,585	452,298	418,968	392,085	367,601	351,379	368,797
Total	\$ 14,531,528	24,669,915	19,400,162	12,855,339	11,808,009	11,541,658	11,023,180	10,745,098	10,296,799

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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 on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Union Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Union Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 12, 2013. 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

The management of Union Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Union Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Union Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness. We identified no deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which 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, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Union Community School District's responses to the 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 Union Community School District's responses and, accordingly, we express no opinion on them.

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

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



NOLTE, CORMAN & JOHNSON, P.C.

March 12, 2013

UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-12 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. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, general journal entries, payroll preparation and bank reconciling.

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

Response - We will continue exploring alternatives and implement them as soon as possible.

Conclusion - Response accepted.

UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - District expenditures for the year ended June 30, 2012 did not exceed the certified amounts in any of the functional areas.

II-B-12 Questionable Disbursements - We noted during our audit that the District held a magazine fundraiser and that the vendor had provided an allowance to be used for prizes to be given as prizes to the top sellers. We noted that the District purchased additional prizes from the vendor representative to be given to students for being top sellers when participating in the fundraiser.

Recommendation - Prizes given to students for being top sellers does not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. The District should refrain from purchasing prizes to be given to students for being top sellers in fundraisers.

Response - The District will not be purchasing prizes for top sellers in fundraisers.

Conclusion - Response accepted.

II-C-12 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-12 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jim Barz, Board Member Brother owns Barz Electric Owns LPC Union Station	Electrical Repairs Supplies	\$321 \$100
Angela Bechthold, Teacher Nephew runs DJ service	DJ services	\$900
Louis Beck, Teacher Mother owns Breads by Ruth Beck	Supplies	\$2,296
Nancy McFarland, Bus driver Daughter owns La Porte City Printing & Design Owns Sunshine Florals	Supplies Supplies	\$12,210 \$1,420
Becky Joens, Secretary Owns Joensy's	Supplies	\$352

Name, Title and Business Connection	Transaction Description	Amount
continued:		
Rita Eikamp, Teacher Daughter-in-law owns Simply Blooming	Supplies	\$95
Deb Jungling, Teacher Husband owns Pronto Market	Supplies	\$15,948
Michael Winter, Bus Driver Owns Winter Auto	Services	\$762
Michael Bristline, Teacher Wife Jennifer is pianist	Services	\$200

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction with the Board Member that owns a business does not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with spouses and relatives of District employees and the relative of the Board Member do not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with District employees that own businesses or perform services for the District do not appear to represent a conflict of interest.

- II-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-12 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-12 Supplemental Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 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-12 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-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 1,231,721
Revenues:		
Sales tax revenues	\$ 1,005,590	
Other local revenues	855	1,006,445
		<u>2,238,166</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 397,494	
Other	6,380	
Transferred to other funds:		
Debt service fund	711,600	1,115,474
		<u>1,115,474</u>
Ending Balance		<u><u>\$ 1,122,692</u></u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa