

UNION COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Union Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Joe Connolly	President	2015
James Bronner	Vice President	2013
Denny McLaughlin	Board Member (Resigned January 2013)	2015
Cathy Niebergall	Board Member (Appointed January 2013)	2013
Dawn Jensen	Board Member	2015
Jim Barz	Board Member	2013
Bart Frush	Board Member	2013
Carie Marrah	Board Member (Resigned October 2012)	2015
Lisa Anton	Board Member (Appointed October 2012)	2013
School Officials		
Neil Mullen	Superintendent	2013
Kathy Krug	District Secretary/Treasurer and Business Manager	2013
Steve Weidner	Attorney	2013

UNION COMMUNITY SCHOOL DISTRICT

EDUCATION TO MEET TOMORROW'S CHALLENGES

NOTLE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of Funding Progress for the Retiree Health Plan and the statements for the discretely presented component unit on pages 7 through 16 and 42 through 46 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2014 on our consideration of Union Community School District's internal control over financial reporting and on 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 in considering Union Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2014
Newton, Iowa

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$12,044,624 in fiscal year 2012 to \$12,010,402 in fiscal year 2013, while General Fund expenditures increased from \$11,797,741 in fiscal year 2012 to \$12,109,909 in fiscal year 2013. The District's General Fund balance decreased from \$1,614,934 at June 30, 2012 to \$1,515,427 at June 30, 2013, a 6.16% decrease.
- The decrease in General Fund revenues was attributable to a decrease in state source revenues in fiscal 2013. The increase in expenditures was due primarily to increased outflows in the instruction and support services functional areas.

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 Position 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 governmental funds.

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

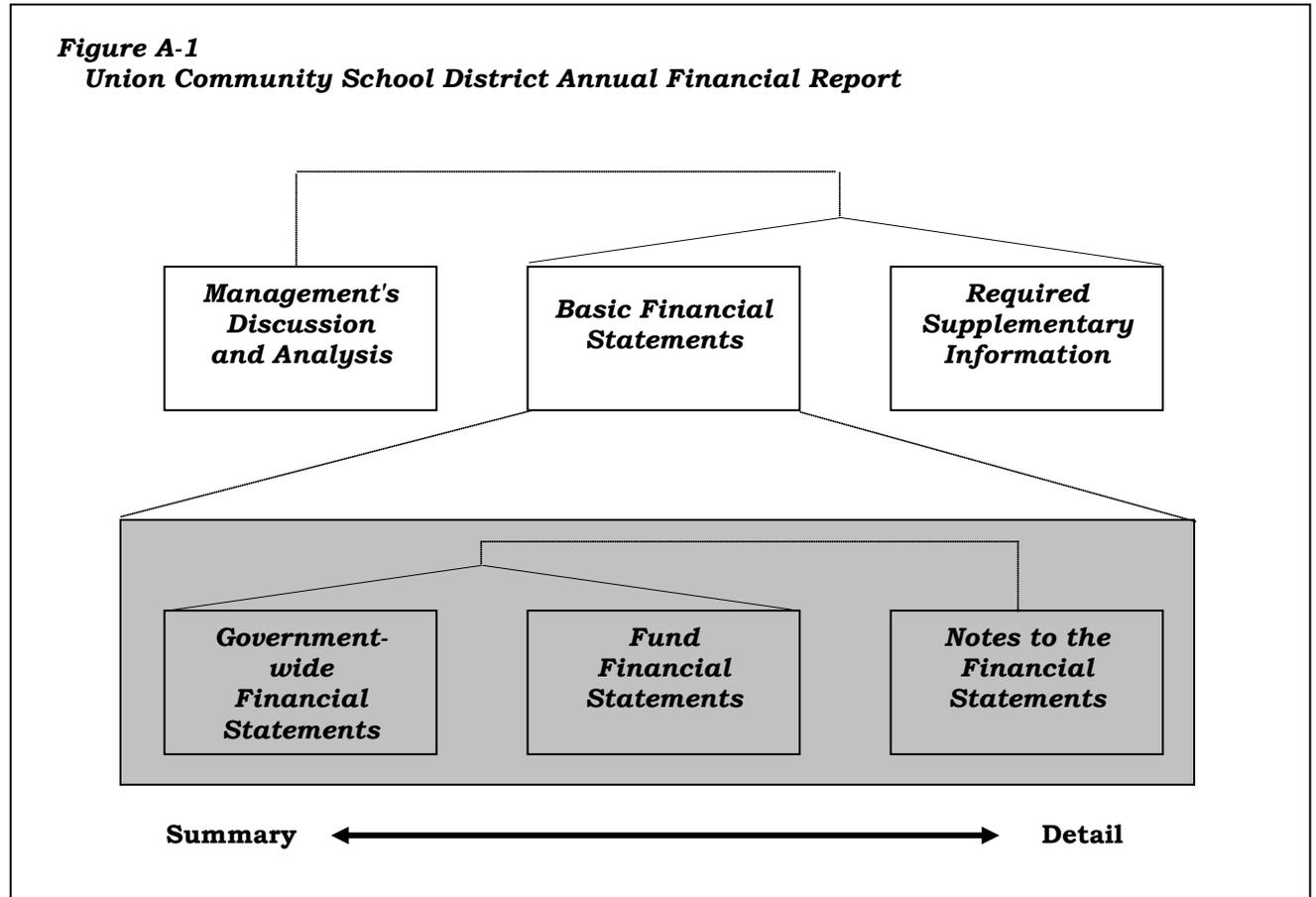


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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: food service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • 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 position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 Position 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 position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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 three 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 Fund, one type of proprietary fund, is the same as its business type activities, but provides 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 proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position 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.
 - 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.

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 Position and a Statement of Changes in Fiduciary Net Position.

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 position at June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2013	2012	2013	2012	2013	2012	2012-13	
Current and other assets	\$ 10,429,672	9,929,589	73,294	129,524	10,502,966	10,059,113	4.41%	
Capital assets	15,286,683	15,720,229	47,024	51,368	15,333,707	15,771,597	-2.78%	
Total assets	<u>25,716,355</u>	<u>25,649,818</u>	<u>120,318</u>	<u>180,892</u>	<u>25,836,673</u>	<u>25,830,710</u>	<u>0.02%</u>	
Long-term obligations	8,661,554	9,102,733	986	831	8,662,540	9,103,564	-4.84%	
Other liabilities	5,607,834	5,143,124	17,127	14,002	5,624,961	5,157,126	9.07%	
Total liabilities	<u>14,269,388</u>	<u>14,245,857</u>	<u>18,113</u>	<u>14,833</u>	<u>14,287,501</u>	<u>14,260,690</u>	<u>0.19%</u>	
Net position:								
Invested in capital assets, net of related debt	6,706,683	6,730,229	47,024	51,368	6,753,707	6,781,597	-0.41%	
Restricted	3,077,253	2,866,335	-	-	3,077,253	2,866,335	7.36%	
Unrestricted	1,663,031	1,807,397	55,181	114,691	1,718,212	1,922,088	-10.61%	
Total net position	<u>\$ 11,446,967</u>	<u>11,403,961</u>	<u>102,205</u>	<u>166,059</u>	<u>11,549,172</u>	<u>11,570,020</u>	<u>-0.18%</u>	

The District’s total net position decreased 0.18%, or \$20,848 from the prior year. The largest portion of the District’s net position is 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 resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$210,918, or 7.36% from the prior year. The increase in restricted net position is due in part to increases in the Capital Projects Fund and Management Levy Fund balances.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased by \$203,876 or 10.61% from the prior year. The decrease in unrestricted net position was largely a result of the decline in the General Fund unassigned balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to June 30, 2012.

Figure A-4 Change in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues and transfers:							
Program revenues:							
Charges for service	\$ 937,705	951,411	397,149	418,501	1,334,854	1,369,912	-2.56%
Operating grants, contributions and restricted interest	838,238	1,009,879	251,572	264,627	1,089,810	1,274,506	-14.49%
Capital grants, contributions and restricted interest	4,950	123,533	-	-	4,950	123,533	-95.99%
General revenues and transfers:							
Property tax	4,197,897	4,237,906	-	-	4,197,897	4,237,906	-0.94%
Income surtax	549,730	496,826	-	-	549,730	496,826	10.65%
Statewide sales, services and use tax	1,059,767	1,005,590	-	-	1,059,767	1,005,590	5.39%
Unrestricted state grants	6,193,129	6,086,380	-	-	6,193,129	6,086,380	1.75%
Nonspecific program federal revenues	-	3,714	-	-	-	3,714	-100.00%
Unrestricted interest revenue	6,660	4,684	69	79	6,729	4,763	41.28%
Other general revenue	66,903	74,152	12,512	-	79,415	74,152	7.10%
Transfers	-	619	-	(619)	-	-	0.00%
Total revenues and transfers	<u>13,854,979</u>	<u>13,994,694</u>	<u>661,302</u>	<u>682,588</u>	<u>14,516,281</u>	<u>14,677,282</u>	<u>-1.10%</u>
Program expenses:							
Governmental activities:							
Instructional	8,661,776	8,481,397	-	-	8,661,776	8,481,397	2.13%
Support services	3,819,311	4,245,113	21,399	23,786	3,840,710	4,268,899	-10.03%
Non-instructional programs	2,600	1,180	703,757	642,532	706,357	643,712	9.73%
Other expenses	1,328,286	1,343,252	-	-	1,328,286	1,343,252	-1.11%
Total expenses	<u>13,811,973</u>	<u>14,070,942</u>	<u>725,156</u>	<u>666,318</u>	<u>14,537,129</u>	<u>14,737,260</u>	<u>-1.36%</u>
Change in net position before extraordinary item	43,006	(76,248)	(63,854)	16,270	(20,848)	(59,978)	-65.24%
Extraordinary item:							
Compensation for loss of assets	-	666,067	-	-	-	666,067	-100.00%
Change in net position	43,006	589,819	(63,854)	16,270	(20,848)	606,089	-103.44%
Net position beginning of year	<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>
Net position end of year	<u>\$ 11,446,967</u>	<u>11,403,961</u>	<u>102,205</u>	<u>166,059</u>	<u>11,549,172</u>	<u>11,570,020</u>	<u>-0.18%</u>

In fiscal 2013, property tax and unrestricted state grants account for 75.00% of governmental activities revenue while charges for services and operating grants, contributions and restricted interest account for 98.10% of business type activities revenue. The District's total revenues were \$14,516,281, of which \$13,854,979 was for governmental activities and \$661,302 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.10% decrease in revenues and a 1.36% decrease in expenditures. Unrestricted state grants increased \$106,749 to help fund fiscal year expenses. The decrease in expenses is primarily related to a reduction in support services expenditures when compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$13,854,979 and expenses were \$13,811,973.

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, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 8,661,776	8,481,397	2.13%	7,388,527	6,978,500	5.88%
Support services	3,819,311	4,245,113	-10.03%	3,806,145	4,170,148	-8.73%
Non-instructional	2,600	1,180	120.34%	2,600	1,180	120.34%
Other expenses	1,328,286	1,343,252	-1.11%	833,808	836,291	-0.30%
Totals	<u>\$ 13,811,973</u>	<u>14,070,942</u>	<u>-1.84%</u>	<u>12,031,080</u>	<u>11,986,119</u>	<u>0.38%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$937,705.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$843,188.
- The net cost of governmental activities was financed with \$4,197,897 in property tax, \$549,730 in income surtax, \$1,059,767 in statewide sales, services and use tax, \$6,193,129 in unrestricted state grants, \$6,660 in interest income, and \$66,903 in other general revenues and transfers.

Business type Activities

Revenues of the District's business type activities were \$661,302 and expenses were \$725,156. 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 \$4,327,828, exceeding last year's ending fund balances of \$4,287,453. The primary reason for the increase in combined fund balances in fiscal 2013 is the increase in the Capital Projects Fund balance.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Revenues from state sources increased 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 mitigate the decline in fund balance.
- The Capital Projects Fund balance increased from \$1,177,461 at June 30, 2012 to \$1,268,682 at June 30, 2013. The increase in fund balance can be attributed mostly to a significant reduction in expenditures when compared to the prior year which saw the District complete several construction projects.

Proprietary Funds Highlights

- The School Nutrition Fund net position decreased from \$166,059 at June 30, 2012 to \$102,205 at June 30, 2013, representing a decrease of 38.45%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Union Community School District amended its budget one time to reflect expenditures associated with additional special education and construction costs anticipated during the year.

The District's revenues were \$86,759 less 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, 2013, the District had invested \$15,333,707, 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) This represents a net decrease of 2.78%. More detailed information about the District's capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$888,860.

The original cost of the District's capital assets was \$28,114,572. Governmental funds account for \$27,892,559 with the remainder of \$222,013 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 \$130,414 at June 30, 2013, 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,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 53,729	53,729	-	-	53,729	53,729	0.00%
Construction in progress	130,414	284,403	-	-	130,414	284,403	-54.14%
Buildings	11,214,349	11,256,924	-	-	11,214,349	11,256,924	-0.38%
Land improvements	3,109,494	3,293,194	-	-	3,109,494	3,293,194	-5.58%
Machinery and equipment	778,697	831,979	47,024	51,368	825,721	883,347	-6.52%
Total	\$ 15,286,683	15,720,229	47,024	51,368	15,333,707	15,771,597	-2.78%

Long-Term Debt

At June 30, 2013, the District had \$8,662,540 in total long-term debt outstanding. This represents a decrease of 4.84% 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 \$8,580,000 of outstanding revenue bonded indebtedness at June 30, 2013.

The District had total outstanding termination benefits payable of \$63,064 from the Special Revenue, Management Levy Fund at June 30, 2013.

In accordance with GASB Statement No. 45, the OPEB liability increased \$5,782 during fiscal 2013. At June 30, 2013, the total liability facing the District for other postemployment benefits was \$19,476.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Revenue bonds	\$ 8,580,000	8,990,000	-	-	8,580,000	8,990,000	-4.56%
Termination benefits	63,064	99,870	-	-	63,064	99,870	-36.85%
Net OPEB liability	18,490	12,863	986	831	19,476	13,694	42.22%
Total	\$ 8,661,554	9,102,733	986	831	8,662,540	9,103,564	-4.84%

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.

- 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.
- The increase in required employer's contribution to IPERS to 8.93% on July 1, 2013 will increase the Union Community School District's employer benefit costs during 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 POSITION
JUNE 30, 2013

	Primary Government			Component Unit
	Govern- mental Activities	Business Type Activities	Total	Union Community School District Foundation
Assets				
Cash and pooled investments	\$ 4,727,490	53,561	4,781,051	180,975
Receivables:				
Property tax:				
Delinquent	54,394	-	54,394	-
Succeeding year	4,591,420	-	4,591,420	-
Income surtax	517,491	-	517,491	-
Accounts	6,761	1,887	8,648	-
Due from other governments	532,116	-	532,116	-
Inventories	-	17,846	17,846	-
Capital assets, net of accumulated depreciation	15,286,683	47,024	15,333,707	-
Total assets	25,716,355	120,318	25,836,673	180,975
Liabilities				
Accounts payable	297,654	5,299	302,953	-
Salaries and benefits payable	694,708	-	694,708	-
Accrued interest payable	23,481	-	23,481	-
Unearned revenue	-	11,828	11,828	-
Deferred revenue:				
Succeeding year property tax	4,591,420	-	4,591,420	-
Other	571	-	571	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds payable	415,000	-	415,000	-
Termination benefits payable	63,064	-	63,064	-
Portion due after one year:				
Revenue bonds payable	8,165,000	-	8,165,000	-
Net OPEB liability	18,490	986	19,476	-
Total liabilities	14,269,388	18,113	14,287,501	-
Net Position				
Invested in capital assets, net of related debt	6,706,683	47,024	6,753,707	-
Restricted for:				
Categorical funding	351,397	-	351,397	-
Debt service	838,948	-	838,948	-
Management levy purposes	410,736	-	410,736	-
Student activities	178,514	-	178,514	-
Other special purposes	28,976	-	28,976	-
School infrastructure	1,152,267	-	1,152,267	-
Physical plant and equipment	116,415	-	116,415	-
Unrestricted	1,663,031	55,181	1,718,212	180,975
Total net position	\$ 11,446,967	102,205	11,549,172	180,975

SEE NOTES TO FINANCIAL STATEMENTS.

**UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	Net (Expense) Revenue and Changes in Net Position						Component Unit Union Community School District Foundation	
	Program Revenues			Primary Government				
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total		
Expenses								
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 5,179,267	332,915	59,063	-	(4,787,289)	-	(4,787,289)	-
Special	1,716,640	116,057	135,517	-	(1,465,066)	-	(1,465,066)	-
Other	1,765,869	488,733	140,964	-	(1,136,172)	-	(1,136,172)	-
	<u>8,661,776</u>	<u>937,705</u>	<u>335,544</u>	<u>-</u>	<u>(7,388,527)</u>	<u>-</u>	<u>(7,388,527)</u>	<u>-</u>
Support services:								
Student	299,804	-	42	-	(299,762)	-	(299,762)	-
Instructional staff	433,319	-	-	-	(433,319)	-	(433,319)	-
Administration	1,261,007	-	-	-	(1,261,007)	-	(1,261,007)	-
Operation and maintenance of plant	1,020,556	-	-	4,950	(1,015,606)	-	(1,015,606)	-
Transportation	804,625	-	8,174	-	(796,451)	-	(796,451)	-
	<u>3,819,311</u>	<u>-</u>	<u>8,216</u>	<u>4,950</u>	<u>(3,806,145)</u>	<u>-</u>	<u>(3,806,145)</u>	<u>-</u>
Non-instructional programs:								
Food service and other enterprise operations								
	2,600	-	-	-	(2,600)	-	(2,600)	-
Long-term debt interest	292,664	-	-	-	(292,664)	-	(292,664)	-
Other expenditures:								
AEA flowthrough	494,478	-	494,478	-	-	-	-	-
Depreciation(unallocated)*	541,144	-	-	-	(541,144)	-	(541,144)	-
	<u>1,035,622</u>	<u>-</u>	<u>494,478</u>	<u>-</u>	<u>(541,144)</u>	<u>-</u>	<u>(541,144)</u>	<u>-</u>
Total governmental activities	13,811,973	937,705	838,238	4,950	(12,031,080)	-	(12,031,080)	-
Business type activities:								
Support services:								
Student	1,827	-	-	-	-	(1,827)	(1,827)	-
Administration	4,145	-	-	-	-	(4,145)	(4,145)	-
Operation and maintenance of plant	15,427	-	-	-	-	(15,427)	(15,427)	-
	<u>21,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,399)</u>	<u>(21,399)</u>	<u>-</u>
Non-instructional programs:								
Food service operations	703,757	397,149	251,572	-	-	(55,036)	(55,036)	-
Total business type activities	725,156	397,149	251,572	-	-	(76,435)	(76,435)	-
Total primary government	\$ 14,537,129	1,334,854	1,089,810	4,950	(12,031,080)	(76,435)	(12,107,515)	-
Total component unit	\$ 15,726	-	23,796	-	-	-	-	8,070
General Revenues:								
Local tax for:								
General purposes				\$ 4,081,502	-	4,081,502	-	-
Capital outlay				116,395	-	116,395	-	-
Income surtax				549,730	-	549,730	-	-
Statewide sales, services and use tax				1,059,767	-	1,059,767	-	-
Unrestricted state grants				6,193,129	-	6,193,129	-	-
Unrestricted investment earnings				6,660	69	6,729	4,040	-
Unrealized gain				-	-	-	13,335	-
Other general revenue				66,903	12,512	79,415	-	-
Total general revenues				12,074,086	12,581	12,086,667	17,375	-
Change in net position				43,006	(63,854)	(20,848)	25,445	-
Net position beginning of year				11,403,961	166,059	11,570,020	155,530	-
Net position end of year				\$ 11,446,967	102,205	11,549,172	180,975	-

* 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, 2013

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 2,235,559	932,551	1,559,380	4,727,490
Receivables:				
Property tax:				
Delinquent	49,448	1,498	3,448	54,394
Succeeding year	4,174,747	123,217	293,456	4,591,420
Income surtax	517,491	-	-	517,491
Accounts	4,116	-	2,645	6,761
Due from other governments	191,008	341,108	-	532,116
Total assets	\$ 7,172,369	1,398,374	1,858,929	10,429,672
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 269,425	6,475	21,754	297,654
Salaries and benefits payable	694,708	-	-	694,708
Deferred revenue:				
Succeeding year property tax	4,174,747	123,217	293,456	4,591,420
Income surtax	517,491	-	-	517,491
Other	571	-	-	571
Total liabilities	5,656,942	129,692	315,210	6,101,844
Fund balances:				
Restricted for:				
Categorical funding	351,397	-	-	351,397
Debt service	-	-	862,429	862,429
Management levy purposes	-	-	473,800	473,800
Student activities	-	-	178,514	178,514
Other special purposes	-	-	28,976	28,976
School infrastructure	-	1,152,267	-	1,152,267
Physical plant and equipment	-	116,415	-	116,415
Unassigned	1,164,030	-	-	1,164,030
Total fund balances	1,515,427	1,268,682	1,543,719	4,327,828
Total liabilities and fund balances	\$ 7,172,369	1,398,374	1,858,929	10,429,672

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$	4,327,828
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		15,286,683
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		517,491
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.		(23,481)
Long-term liabilities, including bonds payable, termination benefits payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(8,661,554)</u>
Net position of governmental activities(page 18)	\$	<u><u>11,446,967</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 4,371,112	1,176,162	266,067	5,813,341
Tuition	441,767	-	-	441,767
Other	168,473	6,406	451,989	626,868
State sources	6,699,025	66	149	6,699,240
Federal sources	279,710	-	-	279,710
Total revenues	<u>11,960,087</u>	<u>1,182,634</u>	<u>718,205</u>	<u>13,860,926</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,927,435	92,832	126,669	5,146,936
Special	1,715,298	-	-	1,715,298
Other	1,296,210	2,490	426,649	1,725,349
	<u>7,938,943</u>	<u>95,322</u>	<u>553,318</u>	<u>8,587,583</u>
Support services:				
Student	299,322	-	34,038	333,360
Instructional staff	446,276	3,675	2,141	452,092
Administration	1,251,490	3,653	19,770	1,274,913
Operation and maintenance of plant	969,904	3,809	73,698	1,047,411
Transportation	673,655	117,789	13,800	805,244
	<u>3,640,647</u>	<u>128,926</u>	<u>143,447</u>	<u>3,913,020</u>
Non-instructional programs:				
Food service operations	-	-	668	668
Other enterprise operations	1,932	-	-	1,932
	<u>1,932</u>	<u>-</u>	<u>668</u>	<u>2,600</u>
Capital outlay	-	167,803	-	167,803
Long-term debt:				
Principal	-	-	410,000	410,000
Interest and fiscal charges	-	-	293,609	293,609
	<u>-</u>	<u>-</u>	<u>703,609</u>	<u>703,609</u>
Other expenditures:				
AEA flowthrough	494,478	-	-	494,478
Total expenditures	<u>12,076,000</u>	<u>392,051</u>	<u>1,401,042</u>	<u>13,869,093</u>
Excess(Deficiency) of revenues over(under)expenditures	(115,913)	790,583	(682,837)	(8,167)
Other financing sources(uses):				
Transfer in	14,011	-	745,509	759,520
Transfer out	(33,909)	(711,600)	(14,011)	(759,520)
Sale of equipment	5,204	-	-	5,204
Compensation for loss of assets	31,100	12,238	-	43,338
Total other financing sources(uses)	<u>16,406</u>	<u>(699,362)</u>	<u>731,498</u>	<u>48,542</u>
Change in fund balances	(99,507)	91,221	48,661	40,375
Fund balances beginning of year	<u>1,614,934</u>	<u>1,177,461</u>	<u>1,495,058</u>	<u>4,287,453</u>
Fund balances end of year	<u>\$ 1,515,427</u>	<u>1,268,682</u>	<u>1,543,719</u>	<u>4,327,828</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, 2013

Change in fund balances - total governmental funds(page 22) \$ 40,375

*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, depreciation expense and loss on disposal in the current year, were as follows:

Capital outlay	\$ 445,707	
Depreciation expense	(878,428)	
Loss on the disposal of assets	<u>(825)</u>	(433,546)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (5,947)

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.

Termination benefits	36,806	
Other postemployment benefits	<u>(5,627)</u>	31,179

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 410,000

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. 945

Change in net position of governmental activities(page 19) \$ 43,006

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	School Nutrition
Assets	
Cash and pooled investments	\$ 53,561
Accounts receivable	1,887
Inventories	17,846
Capital assets, net of accumulated depreciation	47,024
Total assets	120,318
Liabilities	
Accounts payable	5,299
Unearned revenue	11,828
Net OPEB liability	986
Total liabilities	18,113
Net Position	
Invested in capital assets	47,024
Unrestricted	55,181
Total net position	\$ 102,205

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 397,149
Miscellaneous	12,512
Total operating revenues	409,661
Operating expenses:	
Support services:	
Student:	
Services	1,827
Administration:	
Services	4,145
Operation and maintenance of plant:	
Services	15,427
	21,399
Non-instructional programs:	
Food service operations:	
Salaries	195,287
Benefits	114,984
Services	810
Supplies	382,119
Depreciation	10,432
Other	125
	703,757
Total operating expenses	725,156
Operating loss	(315,495)
Non-operating revenues:	
State sources	5,626
Federal sources	245,946
Interest income	69
Total non-operating revenues	251,641
Change in net position	(63,854)
Net position beginning of year	166,059
Net position end of year	\$ 102,205

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 396,723
Cash received from miscellaneous operating activities	12,512
Cash payments to employees for services	(310,116)
Cash payments to suppliers for goods or services	(364,146)
Net cash used by operating activities	(265,027)
Cash flows from non-capital financing activities:	
State grants received	5,626
Federal grants received	204,638
Net cash provided by non-capital financing activities	210,264
Cash flows from capital financing activities:	
Acquisition of capital assets	(6,088)
Cash flows from investing activities:	
Interest on investment	69
Net decrease in cash and cash equivalents	(60,782)
Cash and cash equivalents beginning of year	114,343
Cash and cash equivalents end of year	\$ 53,561
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (315,495)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	41,308
Depreciation	10,432
Increase in inventories	(4,118)
Increase in accounts receivable	(434)
Increase in accounts payable	3,117
Increase in unearned revenue	8
Increase in other postemployment benefits	155
Net cash used by operating activities	\$ (265,027)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$41,308 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Private Purpose Trust	Agency
	Scholarship	
Assets		
Cash and pooled investments	\$ 285,916	4,356
Liabilities		
Accounts payable	-	320
Due to other groups	-	4,036
Total liabilities	-	4,356
Net Position		
Restricted for scholarships	\$ 285,916	-

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2013

		Private Purpose Trust
		Scholarship
Additions:		
Local sources:		
Gifts and contributions	\$	3,585
Interest income		258
Total additions		3,843
Deductions:		
Instruction:		
Regular:		
Scholarships awarded		3,850
Change in net position		(7)
Net position beginning of year		285,923
Net position end of year	\$	285,916

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(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, Black Hawk, 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 District's 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, Black Hawk and Benton Counties Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following 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 attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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 expenditures, 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 Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. 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 is both restricted and unrestricted net position 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.

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. 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 hourly employees corresponding to the current school year, which are payable in July, 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 Position 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 Position 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 Position.

Fund Balances - 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.

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, 2013 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, 2013 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$24,108 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 2012-2013 ONE included taxable warrants only. The interest rates on the Series 2012-2013 ONE warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 100 basis points. The LIBOR rate at June 30, 2013 was 0.1932%. During the year ended June 30, 2013, the District did not have any borrowings or repayments through ISCAP.

(4) Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Student Activity	\$ 14,011
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	711,600
Management Levy	General	33,909
Total		<u>\$ 759,520</u>

The transfer from the Student Activity Fund to the General Fund was needed to move rental and fundraising revenues that should have been receipted into the General Fund.

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 bonded indebtedness.

The transfer from the General Fund to the Management Levy Fund was needed as a corrective transfer for termination benefits that should have been paid from the General Fund.

(5) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 8,990,000	-	410,000	8,580,000	415,000
Termination benefits	99,870	63,064	99,870	63,064	63,064
Net OPEB liability	12,863	5,627	-	18,490	-
Total	<u>\$ 9,102,733</u>	<u>68,691</u>	<u>509,870</u>	<u>8,661,554</u>	<u>478,064</u>
Business type activities:					
Net OPEB liability	\$ 831	155	-	986	-

Revenue Bonds

Details of the District’s June 30, 2013 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
2014	2.000%	\$ 415,000	284,909	699,909
2015	2.000	420,000	276,608	696,608
2016	3.000	430,000	268,209	698,209
2017	3.000	445,000	255,309	700,309
2018	3.000	460,000	241,959	701,959
2019-2023	3.125-3.400	2,555,000	986,116	3,541,116
2024-2028	3.500-4.000	3,140,000	512,187	3,652,187
2029	4.000	715,000	28,600	743,600
Total		<u>\$ 8,580,000</u>	<u>2,853,897</u>	<u>11,433,897</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$9,900,000 of bonds issued October 6, 2010. The bonds were issued for the purpose of repaying \$8,800,000 of revenue bond anticipation notes issued 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 66% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$11,433,897. For the current year, principal of \$410,000 and interest of \$293,109 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,059,767.

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.

Termination Benefits (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, 2013, totaled \$99,870. A liability has been recorded in the Statement of Net Position representing the District’s commitment to fund non-current early retirement.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2013 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	284,403	160,880	314,869	130,414
Total capital assets not being depreciated	<u>338,132</u>	<u>160,880</u>	<u>314,869</u>	<u>184,143</u>
Capital assets being depreciated:				
Buildings	16,795,516	314,869	-	17,110,385
Land improvements	4,836,547	-	-	4,836,547
Machinery and equipment	5,504,623	284,827	27,966	5,761,484
Total capital assets being depreciated	<u>27,136,686</u>	<u>599,696</u>	<u>27,966</u>	<u>27,708,416</u>
Less accumulated depreciation for:				
Buildings	5,538,592	357,444	-	5,896,036
Land improvements	1,543,353	183,700	-	1,727,053
Machinery and equipment	4,672,644	337,284	27,141	4,982,787
Total accumulated depreciation	<u>11,754,589</u>	<u>878,428</u>	<u>27,141</u>	<u>12,605,876</u>
Total capital assets being depreciated, net	<u>15,382,097</u>	<u>(278,732)</u>	<u>825</u>	<u>15,102,540</u>
Governmental activities capital assets, net	<u>\$ 15,720,229</u>	<u>(117,852)</u>	<u>315,694</u>	<u>15,286,683</u>
Business type activities:				
Machinery and equipment	\$ 247,351	6,088	31,426	222,013
Less accumulated depreciation	195,983	10,432	31,426	174,989
Business type activities capital assets, net	<u>\$ 51,368</u>	<u>(4,344)</u>	<u>-</u>	<u>47,024</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 120,790
Other	62,547
Support services:	
Instructional staff	9,705
Administration	7,216
Operation and maintenance of plant	12,529
Transportation	124,497
	<u>337,284</u>
Unallocated depreciation	<u>541,144</u>
Total governmental activities depreciation expense	<u>\$ 878,428</u>
Business type activities:	
Food service operations	<u>\$ 10,432</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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$582,199, \$456,927 and \$397,452 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 139 active and 12 retired members in the plan. Retired 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	13,689
Interest on net OPEB obligation		137
Adjustment to annual required contribution		(528)
Annual OPEB cost		<u>13,298</u>
Contributions made		<u>(7,516)</u>
Increase in net OPEB obligation		5,782
Net OPEB obligation beginning of year		<u>13,694</u>
Net OPEB obligation end of year	\$	<u><u>19,476</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 13,540	64.39%	\$ 8,790
2012	13,338	63.23	13,694
2013	13,298	56.52	19,476

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$148,665, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$148,665. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,595,219 and the ratio of the UAAL to covered payroll was 2.66%. As of June 30, 2013, 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, 2012 actuarial valuation date, the Projected Unit Cost actuarial method was used. The actuarial assumptions include a 1.0% discount rate based on the District's funding policy. The projected annual medical trend rate started at 8%. The medical trend rate is reduced 1% each year until reaching the 3% ultimate trend rate.

Mortality rates are from the RP-2000 Group Annuity Generational 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 service.

Projected claim costs of the medical plan are \$697 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 \$494,478 for the year ended June 30, 2013 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 contracts for the Auditorium project and other miscellaneous improvement projects. As of June 30, 2013, costs of \$130,414 had been incurred against the contracts. The balance remaining at June 30, 2013 will be paid as work on the projects progresses. The total cost of the projects will be added to the District's capital asset listing upon completion.

(12) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Weighted Limited English Proficient	\$ 10,424
Weighted At-Risk Programs	139,877
Gifted and Talented Programs	19,015
Teacher Salary Supplement	109,296
Professional Development for Model Core Curriculum	60,758
Professional Development	6,801
Market Factor Incentives	5,226
Total	<u>\$ 351,397</u>

(13) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to the Statement of Net Position are as follows:

	<u>Invested in</u>	<u>Management</u>	<u>Debt</u>	<u>Unassigned/</u>
	<u>Capital Assets</u>	<u>Levy</u>	<u>Service</u>	<u>Unrestricted</u>
Fund balance (Exhibit C)	\$ -	473,800	862,429	1,164,030
Invested in capital assets, net of accumulated depreciation	15,286,683	-	-	-
Revenue bond capitalized indebtedness	(8,580,000)	-	-	-
Termination benefits	-	(63,064)	-	-
Accrued interest payable	-	-	(23,481)	-
Income surtax receivable	-	-	-	517,491
Net OPEB liability	-	-	-	(18,490)
Net position (Exhibit A)	<u>\$ 6,706,683</u>	<u>410,736</u>	<u>838,948</u>	<u>1,663,031</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 FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 6,881,976	409,730	7,291,706	7,324,496	7,324,496	(32,790)
State sources	6,699,240	5,626	6,704,866	6,853,491	6,853,491	(148,625)
Federal sources	279,710	245,946	525,656	431,000	431,000	94,656
Total revenues	<u>13,860,926</u>	<u>661,302</u>	<u>14,522,228</u>	<u>14,608,987</u>	<u>14,608,987</u>	<u>(86,759)</u>
Expenditures/Expenses:						
Instruction	8,587,583	-	8,587,583	8,317,907	8,617,907	30,324
Support services	3,913,020	21,399	3,934,419	4,421,780	4,421,780	487,361
Non-instructional programs	2,600	703,757	706,357	721,500	721,500	15,143
Other expenditures	1,365,890	-	1,365,890	1,372,429	2,509,029	1,143,139
Total expenditures/expenses	<u>13,869,093</u>	<u>725,156</u>	<u>14,594,249</u>	<u>14,833,616</u>	<u>16,270,216</u>	<u>1,675,967</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(8,167)	(63,854)	(72,021)	(224,629)	(1,661,229)	1,589,208
Other financing sources(uses), net	<u>48,542</u>	<u>-</u>	<u>48,542</u>	<u>-</u>	<u>-</u>	<u>48,542</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	40,375	(63,854)	(23,479)	(224,629)	(1,661,229)	1,637,750
Balances beginning of year	<u>4,287,453</u>	<u>166,059</u>	<u>4,453,512</u>	<u>4,703,016</u>	<u>4,703,016</u>	<u>(249,504)</u>
Balances end of year	<u>\$ 4,327,828</u>	<u>102,205</u>	<u>4,430,033</u>	<u>4,478,387</u>	<u>3,041,787</u>	<u>1,388,246</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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 \$1,436,600.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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
2013	July 1, 2012	-	148,665	148,665	0.00	5,595,219	2.66

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND
NET POSITION – CASH BASIS
COMPONENT UNIT
JUNE 30, 2013

	Union Community School District Foundation
Assets	
Cash and pooled investments	\$ 180,975
Liabilities	-
Net Position	
Unrestricted	\$ 180,975

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION – CASH BASIS
COMPONENT UNIT
YEAR ENDED JUNE 30, 2013

	Union Community School District Foundation
Revenues:	
Contributions	\$ 23,796
Expenses:	
Tuition payments/Scholarships	13,300
Administrative services	2,426
Total expenses	15,726
Operating income	8,070
Non-operating revenues:	
Unrealized gain	13,335
Interest income	4,040
Total non-operating revenues	17,375
Change in net position	25,445
Net position beginning of year	155,530
Net position end of year	\$ 180,975

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue					
	Student Activity	Manage- ment Levy	Support Trust	Total	Debt Service	Total
Assets						
Cash and pooled investments	\$ 196,166	470,561	30,224	696,951	862,429	1,559,380
Receivables:						
Property tax:						
Delinquent	-	3,448	-	3,448	-	3,448
Succeeding year	-	293,456	-	293,456	-	293,456
Accounts	2,645	-	-	2,645	-	2,645
Total assets	\$ 198,811	767,465	30,224	996,500	862,429	1,858,929
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 20,297	209	1,248	21,754	-	21,754
Deferred revenue:						
Succeeding year property tax	-	293,456	-	293,456	-	293,456
Total liabilities	20,297	293,665	1,248	315,210	-	315,210
Fund Balances:						
Restricted for:						
Debt service	-	-	-	-	862,429	862,429
Management levy purposes	-	473,800	-	473,800	-	473,800
Student activities	178,514	-	-	178,514	-	178,514
Other special purposes	-	-	28,976	28,976	-	28,976
Total fund balances	178,514	473,800	28,976	681,290	862,429	1,543,719
Total liabilities and fund balances	\$ 198,811	767,465	30,224	996,500	862,429	1,858,929

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, 2013

	Special Revenue					Total
	Student Activity	Manage- ment Levy	Support Trust	Total	Debt Service	
Revenues:						
Local sources:						
Local tax	\$ -	266,067	-	266,067	-	266,067
Other	442,591	5,111	2,817	450,519	1,470	451,989
State sources	-	149	-	149	-	149
Total revenues	442,591	271,327	2,817	716,735	1,470	718,205
Expenditures:						
Current:						
Instruction:						
Regular	-	124,658	2,011	126,669	-	126,669
Other	393,851	32,798	-	426,649	-	426,649
Support services:						
Student	400	33,638	-	34,038	-	34,038
Instructional staff	2,141	-	-	2,141	-	2,141
Administration	19,770	-	-	19,770	-	19,770
Operation and maintenance of plant	16,824	55,626	1,248	73,698	-	73,698
Transportation	-	13,800	-	13,800	-	13,800
Non-instruction:						
Food service operations	-	668	-	668	-	668
Long-term debt:						
Principal	-	-	-	-	410,000	410,000
Interest and fiscal charges	-	-	-	-	293,609	293,609
Total expenditures	432,986	261,188	3,259	697,433	703,609	1,401,042
Excess(Deficiency) of revenues over(under) expenditures	9,605	10,139	(442)	19,302	(702,139)	(682,837)
Other financing sources(uses):						
Transfer in	-	33,909	-	33,909	711,600	745,509
Transfer out	(14,011)	-	-	(14,011)	-	(14,011)
Total other financing sources(uses)	(14,011)	33,909	-	19,898	711,600	731,498
Change in fund balances	(4,406)	44,048	(442)	39,200	9,461	48,661
Fund balances beginning of year	182,920	429,752	29,418	642,090	852,968	1,495,058
Fund balances end of year	\$ 178,514	473,800	28,976	681,290	862,429	1,543,719

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 811,579	120,972	932,551
Recivables:			
Property tax:			
Delinquent	-	1,498	1,498
Succeeding year	-	123,217	123,217
Due from other governments	341,108	-	341,108
Total assets	\$ 1,152,687	245,687	1,398,374
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 420	6,055	6,475
Deferred revenue:			
Succeeding year property tax	-	123,217	123,217
Total liabilities	420	129,272	129,692
Fund balances:			
Restricted for:			
School infrastructure	1,152,267	-	1,152,267
Physical plant and equipment	-	116,415	116,415
Total fund balances	1,152,267	116,415	1,268,682
Total liabilities and fund balances	\$ 1,152,687	245,687	1,398,374

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, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 1,059,767	116,395	1,176,162
Other	6,341	65	6,406
State sources	-	66	66
Total revenues	<u>1,066,108</u>	<u>116,526</u>	<u>1,182,634</u>
Expenditures:			
Current:			
Instruction:			
Regular	72,578	20,254	92,832
Other	-	2,490	2,490
Support services:			
Instructional staff	-	3,675	3,675
Administration	-	3,653	3,653
Operation and maintenance of plant	-	3,809	3,809
Transportation	101,304	16,485	117,789
Capital outlay	151,051	16,752	167,803
Total expenditures	<u>324,933</u>	<u>67,118</u>	<u>392,051</u>
Excess(Deficiency) of revenues over(under) expenditures	741,175	49,408	790,583
Other financing sources(uses):			
Transfer out	(711,600)	-	(711,600)
Compensation for loss of assets	-	12,238	12,238
Total other financing sources(uses)	<u>(711,600)</u>	<u>12,238</u>	<u>(699,362)</u>
Change in fund balances	29,575	61,646	91,221
Fund balances beginning year	<u>1,122,692</u>	<u>54,769</u>	<u>1,177,461</u>
Fund balances end of year	<u>\$ 1,152,267</u>	<u>116,415</u>	<u>1,268,682</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, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund/ Interfund Transfers	Balance End of Year
Drama	\$ 11,574	8,553	7,736	-	12,391
Speech	6,142	7,533	5,238	-	8,437
Middle School Music	25	-	-	-	25
Choir	6,040	8,815	10,400	-	4,455
Choir Robes	7,516	1,050	-	-	8,566
High School Band	546	15,923	15,048	-	1,421
Band Uniforms Fees	4,799	915	1,056	-	4,658
Middle School Band	1	-	-	-	1
Student Activity	-	328	328	-	-
Memory Book	3,489	2,825	3,155	-	3,159
Cross Country	-	1,227	1,227	-	-
High School Boys Basketball	2,087	12,036	9,220	-	4,903
Middle School Boys Basketball	-	1,431	1,431	-	-
High School Football	3,632	41,847	43,189	-	2,290
Middle School Football	-	5,427	5,427	-	-
High School Baseball	1,869	12,322	9,366	-	4,825
Middle School Baseball	-	1,204	1,204	-	-
High School Boys Track	144	3,040	2,404	-	780
Middle School Boys Track	-	1,695	1,123	-	572
Boys Tennis	-	119	119	-	-
Boys Golf	-	1,339	1,339	-	-
High School Wrestling	2,669	4,069	6,463	-	275
Middle School Wrestling	-	120	120	-	-
High School Girls Basketball	3,572	5,118	4,586	-	4,104
Middle School Girls Basketball	-	1,611	1,611	-	-
High School Volleyball	2,306	6,188	7,480	(1,014)	-
Middle School Volleyball	-	875	875	-	-
Girls Soccer	1,998	14,783	12,574	-	4,207
High School Softball	3,032	5,253	5,403	-	2,882
Middle School Softball	-	544	544	-	-
High School Girls Track	2,146	2,259	1,537	-	2,868
Middle School Girls Track	543	527	635	-	435
Girls Tennis	-	118	118	-	-
Girls Golf	-	977	977	-	-
High School General Athletics	-	7,442	7,442	-	-
Middle School General Athletics	1,239	7,629	8,868	-	-
Booster Club	16,369	42,892	43,255	-	16,006
Annuals-prior years	2,825	408	57	-	3,176
Annual 2012	11,892	183	12,085	10	-
Annual 2013	404	12,732	404	-	12,732

SEE ACCOMPANYING INDEPENDENT AUDITOR REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund/ Interfund Transfers	Balance End of Year
Candy	1,452	-	1,452	-	-
High School Concessions	8,293	63,145	60,960	-	10,478
Middle School Concessions	7,420	11,789	12,330	-	6,879
Union After prom	3,369	25,844	26,282	-	2,931
FFA	11,192	27,166	26,291	-	12,067
High School Dance Squad	1,147	5,178	4,454	-	1,871
Fruit/Juice Break	1,142	6,575	5,923	-	1,794
Elementary Annuals	1,098	3,285	3,862	-	521
Elem - LPC Art Show	309	-	-	-	309
Elem - LPC	-	6	-	-	6
Magazine sales	-	20,413	20,413	-	-
Math Club	149	-	30	-	119
National Honor Society	113	1,105	948	-	270
High School Cheerleaders	4,333	13,594	15,818	-	2,109
Middle School Cheerleaders	99	405	(1)	-	505
Middle School Dance Squad	-	110	86	-	24
Class of 2012	10	-	-	(10)	-
Annual 2014	-	42	-	-	42
Class of 2014	2,933	1,800	3,784	-	949
Class of 2015	3,375	3	-	-	3,378
Class of 2016	1,849	1	550	-	1,300
Class of 2017	1,876	740	1	-	2,615
Class of 2018	962	814	1	-	1,775
Class of 2019	-	992	-	-	992
Spanish Club	917	350	350	-	917
Student Council - DG	13,168	1,253	1,415	(12,297)	709
Student Council - HS	454	758	1,187	-	25
Student Council - LPC	5,214	2,127	2,195	-	5,146
Student Council - MS	4,193	3,004	3,688	-	3,509
Art Club	5,642	5,144	1,769	(700)	8,317
German Club	4,446	302	3,781	-	967
Talented and Gifted	275	315	213	-	377
Robotics	631	4,974	1,160	-	4,445
Total	\$ 182,920	442,591	432,986	(14,011)	178,514

UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Bowers Estate	\$ 3,335	525	-	3,860
Larson Estate	23,592	16	-	23,608
Anders Estate	523	-	523	-
High School Weight Room	1,968	2,276	2,736	1,508
Total	\$ 29,418	2,817	3,259	28,976

SEE ACCOMPANYING INDEPENDENT AUDITOR REPORT.

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUND
 JUNE 30, 2013

	Bader Scholarship	Anders Scholarship	Scholarship Pharmacy	Ellis Jones Scholarship Academic	Ellis Jones Scholarship	FFA Scholarship	Art Scholarship	Misc Scholarship	Total
Assets									
Cash and pooled investments	\$ 869	107,930	87,497	84,490	4,580	300	250	285,916	
Liabilities	-	-	-	-	-	-	-	-	
Net Position									
Restricted for scholarships	\$ 869	107,930	87,497	84,490	4,580	300	250	285,916	

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUND
 YEAR ENDED JUNE 30, 2013

	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	\$ -	-	-	-	3,035	300	250	3,585
Interest	-	102	83	73	-	-	-	258
Total additions	-	102	83	73	3,035	300	250	3,843
Deductions:								
Instruction:								
Regular:								
Scholarships awarded	400	2,000	-	1,000	-	200	250	3,850
Change in net position	(400)	(1,898)	83	(927)	3,035	100	-	(7)
Net position beginning of year	1,269	109,828	87,414	85,417	1,545	200	250	285,923
Net position end of year	\$ 869	107,930	87,497	84,490	4,580	300	250	285,916

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOLS DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 9,052	6,755	11,451	4,356
Liabilities				
Accounts payable	\$ 352	320	352	320
Due to other groups	8,700	6,435	11,099	4,036
Total liabilities	\$ 9,052	6,755	11,451	4,356

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 5,813,341	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	441,767	355,966	355,847	336,776	335,516	323,064	386,344	352,167	294,161	273,420
Other	626,868	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	6,699,240	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	279,710	259,575	644,246	873,821	333,882	198,118	213,546	191,224	194,256	208,315
Total	\$ 13,860,926	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	\$ 5,146,936	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	1,715,298	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	1,725,349	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	333,360	311,893	310,315	297,358	318,617	249,800	238,529	231,459	218,384	205,122
Instructional staff	452,092	415,194	531,576	505,336	454,393	365,468	476,019	370,929	363,933	370,491
Administration	1,274,913	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	1,047,411	974,999	968,027	860,159	879,724	798,996	809,692	882,795	757,981	748,422
Transportation	805,244	744,423	711,315	625,797	807,307	729,181	758,313	719,310	554,188	623,573
Non-instructional programs:										
Food service operations	668	-	-	-	-	-	-	-	-	-
Other enterprise operations	1,932	1,180	955	11,749	3,916	795	3,571	6,903	3,912	-
Capital outlay	167,803	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	410,000	405,000	9,305,000	-	430,000	370,000	325,000	290,000	725,000	305,000
Interest and fiscal charges	293,609	301,708	265,562	122,845	17,400	33,650	49,150	63,650	95,673	110,412
Other expenditures:										
AEA flowthrough	494,478	506,961	551,202	536,585	452,298	418,968	392,085	367,601	351,379	368,797
Total	\$ 13,869,093	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 the Union Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Union Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Union Community School District's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weaknesses.

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.

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Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Union Community School District's Responses to Findings

Union Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Union Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2014
Newton, Iowa

UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - cash receipt and disbursement transactions, reconciliations and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - check preparation and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 9) Financial reporting - preparing and reconciling.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.
- 11) School lunch program - collecting, recording and deposit preparation and depositing.

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

Response - We will continue to review our procedures to try to segregate duties while maintaining efficiency.

Conclusion - Response accepted.

UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013 did not exceed the certified amounts in any of the functional areas.

II-B-13 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 - We no longer purchase additional prizes beyond what the vendor provides.

Conclusion - Response accepted.

II-C-13 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-13 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jim Barz, Board Member Brother owns Barz Electric	Electrical Repairs	\$1,726
Angela Bechthold, Teacher Nephew runs DJ service	DJ services	\$1,155
Louis Beck, Teacher Mother owns Breads by Ruth Beck	Supplies	\$3,847
Nancy McFarland, Bus driver Daughter owns La Porte City Printing & Design	Supplies	\$10,840
Owns Sunshine Florals	Supplies	\$1,380
Becky Joens, Secretary Owns Joensy's	Supplies	\$850
Rita Eikamp, Teacher Daughter-in-law owns Simply Blooming	Supplies	\$81

Name, Title and Business Connection	Transaction Description	Amount
continued:		
Deb Jungling, Teacher Husband owns Pronto Market	Supplies	\$14,860
Michael Winter, Bus Driver Owns Winter Auto	Services	\$1,733
Michael Bristline, Teacher Wife Jennifer is pianist	Services	\$30

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-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-13 Certified Enrollment - We noted variances in the basic enrollment data certified to the Department of Education. The number of students certified to the Iowa Department of Education was understated by 1.0 student.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.
- II-H-13 Supplemental Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 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-13 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-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-13 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 1,122,692
Revenues:		
Sales tax revenues	\$ 1,059,767	
Other local revenues	6,341	1,066,108
		<u>2,188,800</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 24,270	
Equipment	173,882	
Other	126,781	
Transferred to other funds:		
Debt service fund	711,600	1,036,533
		<u>1,036,533</u>
Ending Balance		<u>\$ 1,152,267</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.