

UNITED COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2013

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United Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Kathy Toms	President	2015
Ron Miller	Vice President	2013
Leonard Larsen	Board Member	2015
Marvin Davis	Board Member	2013
Valerie Brewer	Board Member	2015
<b>School Officials</b>		
Sara Keehn	Superintendent	2013
Jacob Ballard	Board Secretary/Treasurer	2013
Ahlers & Cooney, P.C.	Attorney	2013

**UNITED COMMUNITY SCHOOL DISTRICT**

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

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

**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 United Community School District, Boone, 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 United 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.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 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 United 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 7, 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 24, 2014 on our consideration of United 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 United Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2014  
Newton, Iowa

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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United Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,139,846 in fiscal 2012 to \$4,360,762 in fiscal 2013, while General Fund expenditures increased from \$3,759,664 in fiscal 2012 to \$3,901,226 in fiscal 2013. This resulted in an increase in the District's General Fund balance from \$230,922 in fiscal 2012 to \$690,458 in fiscal 2013, a 199.0% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local source revenues in fiscal 2013. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

### 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 United Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

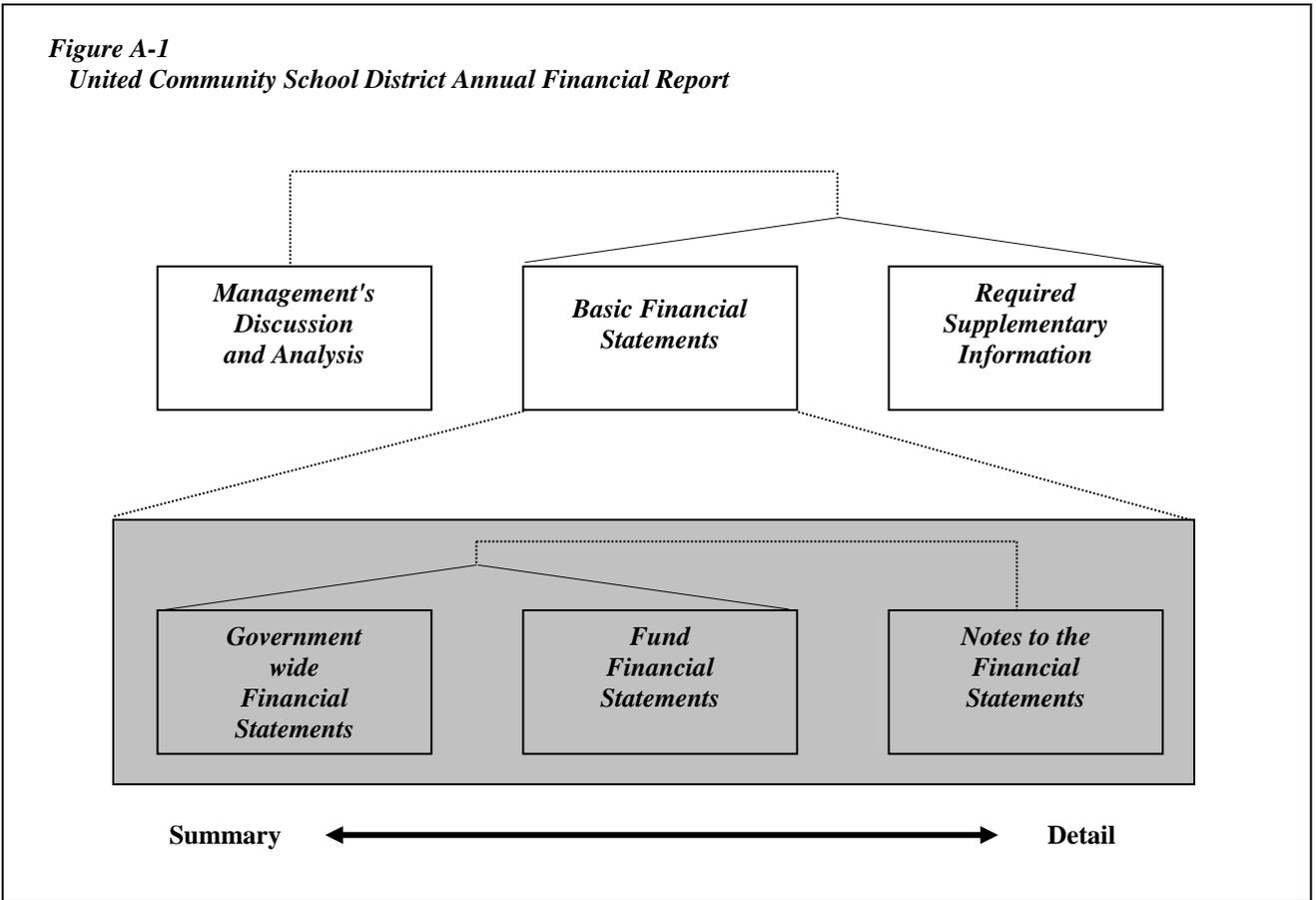


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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.

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The two government-wide financial statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or 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 two categories:

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net 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 total 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 School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 5,449,584	5,716,241	239,658	234,435	5,689,242	5,950,676	-4.39%
Capital assets	3,084,094	2,185,369	18,696	25,567	3,102,790	2,210,936	40.34%
Total assets	8,533,678	7,901,610	258,354	260,002	8,792,032	8,161,612	7.72%
Long-term obligations	164,999	199,634	20,516	5,789	185,515	205,423	-9.69%
Other liabilities	3,197,046	3,304,293	28,922	42,435	3,225,968	3,346,728	-3.61%
Total liabilities	3,362,045	3,503,927	49,438	48,224	3,411,483	3,552,151	-3.96%
Net position:							
Invested in capital assets	3,084,094	2,160,351	18,696	25,567	3,102,790	2,185,918	41.94%
Restricted	1,473,912	2,150,509	-	-	1,473,912	2,150,509	-31.46%
Unrestricted	613,627	86,823	190,220	186,211	803,847	273,034	194.41%
Total net position	\$ 5,171,633	4,397,683	208,916	211,778	5,380,549	4,609,461	16.73%

The District's combined net position increased by 16.73%, or \$771,088 from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the invested in capital assets are liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased by \$676,597, or 31.46% over the prior year. The majority of the decrease in restricted net position was due to the decrease in the Capital Projects accounts 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 - increased \$530,813, or 194.41%. The majority of the increase in unrestricted net position was a due to the increase in fund balance of the General Fund.

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

Figure A-4 Change in Net Position							
	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 622,197	521,453	273,248	238,083	895,445	759,536	17.89%
Operating grants, contributions and restricted interest	313,691	324,644	59,033	53,012	372,724	377,656	-1.31%
Capital grants, contributions and restricted interest	338,353	27,081	-	-	338,353	27,081	1149.41%
General revenues:							
Property tax	2,964,646	2,559,525	-	-	2,964,646	2,559,525	15.83%
Income surtax	144,563	131,650	-	-	144,563	131,650	9.81%
Statewide sales, services and use tax	184,069	275,408	-	-	184,069	275,408	-33.16%
Unrestricted state grants	720,175	978,230	-	-	720,175	978,230	-26.38%
Nonspecific program federal grants	-	33,426	-	-	-	33,426	-100.00%
Unrestricted interest revenue	540	748	5	13	545	761	-28.38%
Other	20,361	14,239	465	3,567	20,826	17,806	16.96%
Total revenues	5,308,595	4,866,404	332,751	294,675	5,641,346	5,161,079	9.31%
Program expenses:							
Instructional	2,895,226	2,829,221	152,056	106,742	3,047,282	2,935,963	3.79%
Support services	1,357,305	1,188,234	848	-	1,358,153	1,188,234	14.30%
Non-instructional programs	19	-	182,709	181,032	182,728	181,032	0.94%
Other expenses	282,095	281,758	-	-	282,095	281,758	0.12%
Total expenses	4,534,645	4,299,213	335,613	287,774	4,870,258	4,586,987	6.18%
Change in net position	773,950	567,191	(2,862)	6,901	771,088	574,092	-34%
Net position beginning of year	4,397,683	3,830,492	211,778	204,877	4,609,461	4,035,369	14.23%
Net position end of year	\$ 5,171,633	4,397,683	208,916	211,778	5,380,549	4,609,461	16.73%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 75.60% of the revenue from governmental activities while charges for services and operating grants, contributions, and restricted interest account for 99.86% the revenue from business type activities.

The District's total revenues were \$5,641,346 of which \$5,308,595 was for governmental activities and \$332,751 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.31% increase in revenues and a 6.18% increase in expenses.

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

## Governmental Activities

Revenues for governmental activities were \$5,308,595 and expenses were \$4,534,645 for the year ended June 30, 2013.

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	\$ 2,895,226	2,829,221	2.33%	2,078,455	2,105,176	-1.27%
Support services	1,357,305	1,188,234	14.23%	1,017,393	1,160,159	-12.31%
Non-instructional	19	-	100.00%	19	-	100.00%
Other expenses	282,095	281,758	0.12%	164,537	160,700	2.39%
<b>Totals</b>	<b>\$ 4,534,645</b>	<b>4,299,213</b>	<b>5.48%</b>	<b>3,260,404</b>	<b>3,426,035</b>	<b>-4.83%</b>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$622,197.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$652,044.
- The net cost of governmental activities was financed with \$2,964,646 in property tax, \$144,563 in income surtax, \$184,069 in statewide sales, services and use tax, \$720,175 in unrestricted state grants, \$540 in unrestricted interest, and \$20,361 in other general revenues.

## Business type Activities

Revenues of the District's business type activities were \$332,751 and expenses were \$335,613. The District's business type activities include the School Nutrition Fund, the School Resale, and the Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, interest income and other general revenue.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,119,020, below last year's ending fund balances of \$2,285,822. The primary reason for the decrease in combined fund balances in fiscal year 2013 is due to the decrease in the Capital Projects accounts ending fund balances.

## Governmental Fund Highlights

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

- The General Fund balance increased from \$230,922 at June 30, 2012 to \$690,458 at June 30, 2013. Revenues increased by \$220,916 or 5.34%.

- 
- The Capital Projects Fund balance decreased from \$1,712,435 in fiscal 2012 to \$1,099,114 in fiscal 2013. The majority of this decrease was due to decreases in the Statewide, Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy Fund ending fund balance. The Statewide Sales, Services and Use Tax fund balance decreased from \$869,690 in fiscal 2012 to \$502,297 in fiscal 2013. The Physical Plant and Equipment Levy fund balance decreased from \$842,745 in fiscal 2012 to \$596,817 in fiscal 2013. The decrease in fund balances was due to a decrease in local tax as compared to the prior year.

### **Proprietary Fund Highlights**

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

- The Proprietary Fund net position decreased from \$211,778 at June 30, 2012 to \$208,916 at June 30, 2013, representing a decrease of 1.35%.
- The District's Nutrition Fund balance decreased from \$21,969 at June 30, 2012 to \$7,962 at June 30, 2013, representing a decrease of 63.76%.
- The District's Day Care Fund increased from \$173,988 at June 30, 2012 to \$184,598 at June 30, 2013, representing an increase of 6.10%. The increase in fund balance is the result of receiving more tuition from patrons as compared to the prior year.
- The District's School Store Fund balance increased from \$15,821 at June 30, 2012 to \$16,356 at June 30, 2013, representing an increase of 3.38%.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, United Community School District amended its budget one time to reflect additional expenditures associated with increased preschool and saferoom construction costs.

The District's revenues were \$484,113 less than budgeted revenues, a variance of 7.91%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

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

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2013, the District had invested \$3,102,790 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 40.34% from last year. Additional detailed information about the capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$240,234.

The original cost of the District's capital assets was \$6,731,402. Governmental funds account for \$6,620,901 with the remainder of \$110,501 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress had an \$839,256 balance at June 30, 2013 compared to \$0 reported at June 30, 2012. The increase in construction in progress was attributable to the District beginning a safe room construction project.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 30,821	30,821	-	-	30,821	30,821	0.00%
Construction in progress	839,256	-	-	-	839,256	-	100.00%
Buildings and improvements	1,761,290	1,788,155	-	-	1,761,290	1,788,155	-1.50%
Land improvements	131,761	158,001	-	-	131,761	158,001	-16.61%
Machinery and equipment	320,966	208,392	18,696	25,567	339,662	233,959	45.18%
Total	\$ 3,084,094	2,185,369	18,696	25,567	3,102,790	2,210,936	40.34%

### Long-Term Debt

At June 30, 2013, the District had \$185,515 in long-term debt outstanding. This represents a decrease of 9.69% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding compensated absences at June 30, 2013 of \$17,216, payable from the General Fund.

The District had net OPEB liability payable of \$168,299 at June 30, 2013, \$147,783 attributable to governmental activities and \$20,516 attributable to business type activities.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Compensated absences	\$ 17,216	16,412	-	-	17,216	16,412	4.90%
Computer lease	-	25,018	-	-	-	25,018	-100.00%
Net OPEB obligation	147,783	158,204	20,516	5,789	168,299	163,993	2.63%
Total	\$ 164,999	199,634	20,516	5,789	185,515	205,423	-9.69%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- On July 1, 2013, the IPERS rate increased to 8.93%, which will increase the District's employer benefit costs during fiscal year 2014. The IPERS rate is expected to remain at 8.93% for fiscal year 2015, which will help hold down benefit costs.
- The phase out of the budget guarantee is a challenge, which the District is handling by closely monitoring revenues, expenditures and staffing levels.

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## **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 Patti Artzer, Board Secretary/Treasurer, United Community School District, 1284 U Avenue, Boone, Iowa, 50036.

BASIC FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,424,840	236,242	2,661,082
Receivables:			
Property tax:			
Delinquent	13,804	-	13,804
Succeeding year	2,741,253	-	2,741,253
Income surtax	133,518	-	133,518
Accounts	6,151	-	6,151
Due from other funds	24,489	-	24,489
Due from other governments	105,529	-	105,529
Inventories	-	3,416	3,416
Capital assets, net of accumulated depreciation	3,084,094	18,696	3,102,790
<b>Total assets</b>	<b>8,533,678</b>	<b>258,354</b>	<b>8,792,032</b>
<b>Liabilities</b>			
Due to other funds	-	24,489	24,489
Accounts payable	228,065	268	228,333
Salaries and benefits payable	227,144	-	227,144
Deferred revenue:			
Succeeding year property tax	2,741,253	-	2,741,253
Other	584	-	584
Unearned revenue	-	4,165	4,165
Long-term liabilities:			
Portion due within one year:			
Compensated absences payable	17,216	-	17,216
Portion due after one year:			
Net OPEB liability	147,783	20,516	168,299
<b>Total liabilities</b>	<b>3,362,045</b>	<b>49,438</b>	<b>3,411,483</b>
<b>Net Position</b>			
Invested in capital assets	3,084,094	18,696	3,102,790
Restricted for:			
Categorical funding	45,350	-	45,350
Management levy purposes	328,946	-	328,946
Student activities	502	-	502
School infrastructure	502,297	-	502,297
Physical plant and equipment	596,817	-	596,817
Unrestricted	613,627	190,220	803,847
<b>Total net position</b>	<b>\$ 5,171,633</b>	<b>208,916</b>	<b>5,380,549</b>

SEE NOTES TO FINANCIAL STATEMENTS

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities		Business Type Activities
<b>Functions/Programs</b>							
<b>Governmental activities:</b>							
<b>Instruction:</b>							
Regular	\$ 2,136,539	516,839	32,837	-	(1,586,863)	-	(1,586,863)
Special	444,654	105,005	15,318	-	(324,331)	-	(324,331)
Other	314,033	353	146,419	-	(167,261)	-	(167,261)
	<u>2,895,226</u>	<u>622,197</u>	<u>194,574</u>	<u>-</u>	<u>(2,078,455)</u>	<u>-</u>	<u>(2,078,455)</u>
<b>Support services:</b>							
Student	104,937	-	-	-	(104,937)	-	(104,937)
Instructional staff	357,013	-	-	-	(357,013)	-	(357,013)
Administration	392,115	-	-	-	(392,115)	-	(392,115)
Operation and maintenance of plant	256,732	-	-	338,353	81,621	-	81,621
Transportation	246,508	-	1,559	-	(244,949)	-	(244,949)
	<u>1,357,305</u>	<u>-</u>	<u>1,559</u>	<u>338,353</u>	<u>(1,017,393)</u>	<u>-</u>	<u>(1,017,393)</u>
<b>Non-instructional programs:</b>							
Community service operations	19	-	-	-	(19)	-	(19)
Long-term debt interest	1,408	-	-	-	(1,408)	-	(1,408)
<b>Other expenses:</b>							
AEA flowthrough	117,558	-	117,558	-	-	-	-
Depreciation(unallocated)*	163,129	-	-	-	(163,129)	-	(163,129)
	<u>280,687</u>	<u>-</u>	<u>117,558</u>	<u>-</u>	<u>(163,129)</u>	<u>-</u>	<u>(163,129)</u>
<b>Total governmental activities</b>	<b>4,534,645</b>	<b>622,197</b>	<b>313,691</b>	<b>338,353</b>	<b>(3,260,404)</b>	<b>-</b>	<b>(3,260,404)</b>
<b>Business type activities:</b>							
<b>Instruction:</b>							
Other	152,056	-	-	-	-	(152,056)	(152,056)
<b>Support services:</b>							
Administration	375	-	-	-	-	(375)	(375)
Operation and maintenance of plant	473	-	-	-	-	(473)	(473)
	<u>848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(848)</u>	<u>(848)</u>
<b>Non-instructional programs:</b>							
Nutrition services	128,214	55,182	59,033	-	-	(13,999)	(13,999)
Daycare services	53,135	216,171	-	-	-	163,036	163,036
School store activities	1,360	1,895	-	-	-	535	535
Total non-instructional programs	<u>182,709</u>	<u>273,248</u>	<u>59,033</u>	<u>-</u>	<u>-</u>	<u>149,572</u>	<u>149,572</u>
Total business type activities	<u>335,613</u>	<u>273,248</u>	<u>59,033</u>	<u>-</u>	<u>-</u>	<u>(3,332)</u>	<u>(3,332)</u>
<b>Total</b>	<b>\$ 4,870,258</b>	<b>895,445</b>	<b>372,724</b>	<b>338,353</b>	<b>(3,260,404)</b>	<b>(3,332)</b>	<b>(3,263,736)</b>
<b>General Revenues:</b>							
<b>Property tax levied for:</b>							
General purposes					\$ 2,595,928	-	2,595,928
Capital outlay					368,718	-	368,718
Income surtax					144,563	-	144,563
Statewide sales, services and use tax					184,069	-	184,069
Unrestricted state grants					720,175	-	720,175
Unrestricted investment earnings					540	5	545
Other					20,361	465	20,826
<b>Total general revenues</b>					<u>4,034,354</u>	<u>470</u>	<u>4,034,824</u>
<b>Change in net position</b>					<u>773,950</u>	<u>(2,862)</u>	<u>771,088</u>
<b>Net position beginning of year</b>					<u>4,397,683</u>	<u>211,778</u>	<u>4,609,461</u>
<b>Net position end of year</b>					<u>\$ 5,171,633</u>	<u>208,916</u>	<u>5,380,549</u>

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

**SEE NOTES TO FINANCIAL STATEMENTS**

UNITED COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments	\$ 930,251	1,165,335	329,254	2,424,840
Receivables:				
Property tax:				
Delinquent	11,949	1,661	194	13,804
Succeeding year	2,281,910	399,343	60,000	2,741,253
Income surtax	133,518	-	-	133,518
Accounts	6,151	-	-	6,151
Due from other funds	24,489	-	-	24,489
Due from other governments	64,967	40,562	-	105,529
<b>Total assets</b>	<b>\$ 3,453,235</b>	<b>1,606,901</b>	<b>389,448</b>	<b>5,449,584</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 119,621	108,444	-	228,065
Salaries and benefits payable	227,144	-	-	227,144
Deferred revenue:				
Succeeding year property tax	2,281,910	399,343	60,000	2,741,253
Income surtax	133,518	-	-	133,518
Other	584	-	-	584
<b>Total liabilities</b>	<b>2,762,777</b>	<b>507,787</b>	<b>60,000</b>	<b>3,330,564</b>
Fund balances:				
Restricted for:				
Categorical funding	45,350	-	-	45,350
Management levy purposes	-	-	328,946	328,946
Student activities	-	-	502	502
School infrastructure	-	502,297	-	502,297
Physical plant and equipment	-	596,817	-	596,817
Unassigned	645,108	-	-	645,108
<b>Total fund balances</b>	<b>690,458</b>	<b>1,099,114</b>	<b>329,448</b>	<b>2,119,020</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,453,235</b>	<b>1,606,901</b>	<b>389,448</b>	<b>5,449,584</b>

SEE NOTES TO FINANCIAL STATEMENTS

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

<b>Total fund balances of governmental funds(page 20)</b>	\$	2,119,020
 <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 in the governmental funds.		3,084,094
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		133,518
Long-term liabilities, including compensated absences payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(164,999)
		<hr style="width: 100%;"/>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b>5,171,633</b>
		<hr style="width: 100%; border-top: 3px double black;"/>

SEE NOTES TO FINANCIAL STATEMENTS

UNITED 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	\$ 2,691,788	552,787	41,585	3,286,160
Tuition	604,696	-	-	604,696
Other	32,412	2,659	5,331	40,402
State sources	964,182	42,481	-	1,006,663
Federal sources	67,684	295,872	-	363,556
Total revenues	4,360,762	893,799	46,916	5,301,477
Expenditures:				
Current:				
Instruction:				
Regular	2,112,772	43,767	8,686	2,165,225
Special	443,192	-	-	443,192
Other	308,855	-	701	309,556
	2,864,819	43,767	9,387	2,917,973
Support services:				
Student	91,097	-	-	91,097
Instructional staff	31,574	321,575	-	353,149
Administration	340,950	11,552	50,515	403,017
Operation and maintenance of plant	233,269	76,063	-	309,332
Transportation	221,940	76,067	31	298,038
	918,830	485,257	50,546	1,454,633
Non-instructional programs:				
Community service operations	19	-	-	19
Capital outlay	-	951,396	-	951,396
Long-term debt:				
Principal	-	-	25,018	25,018
Interest and fiscal charges	-	-	1,682	1,682
	-	-	26,700	26,700
Other expenditures:				
AEA flowthrough	117,558	-	-	117,558
Total expenditures	3,901,226	1,480,420	86,633	5,468,279
Excess(Deficiency) of revenues over(under) expenditures	459,536	(586,621)	(39,717)	(166,802)
Other financing sources(uses):				
Transfer in	-	-	26,700	26,700
Transfer out	-	(26,700)	-	(26,700)
Total other financing sources(uses)	-	(26,700)	26,700	-
Change in fund balances	459,536	(613,321)	(13,017)	(166,802)
Fund balance beginning of year	230,922	1,712,435	342,465	2,285,822
Fund balance end of year	\$ 690,458	1,099,114	329,448	2,119,020

SEE NOTES TO FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2013

**Change in fund balances - total governmental funds(page 22)** \$ (166,802)

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

Capital outlay 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 of capital assets in the current year, are as follows:

Capital outlay	\$ 1,140,468	
Depreciation expense	(233,363)	
Loss on disposal of capital assets	(8,380)	
	898,725	898,725

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. 25,018

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. 274

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 7,118

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.

Compensated absences	\$ (804)	
Other postemployment benefits	10,421	
	9,617	9,617

**Change in net position of governmental activities(page 19)** \$ 773,950

SEE NOTES TO FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2013

	School Nutrition	Daycare	School Store	Total
<b>Assets</b>				
Cash and pooled investments	\$ 244	219,642	16,356	236,242
Inventories	3,416	-	-	3,416
Capital assets, net of accumulated depreciation	18,696	-	-	18,696
<b>Total assets</b>	<b>22,356</b>	<b>219,642</b>	<b>16,356</b>	<b>258,354</b>
<b>Liabilities</b>				
Due to other funds	6,569	17,920	-	24,489
Accounts payable	-	268	-	268
Unearned revenue	1,665	2,500	-	4,165
Net OPEB liability	6,160	14,356	-	20,516
<b>Total liabilities</b>	<b>14,394</b>	<b>35,044</b>	<b>-</b>	<b>49,438</b>
<b>Net Position</b>				
Invested in capital assets	18,696	-	-	18,696
Unrestricted	(10,734)	184,598	16,356	190,220
<b>Total net position</b>	<b>\$ 7,962</b>	<b>184,598</b>	<b>16,356</b>	<b>208,916</b>

SEE NOTES TO FINANCIAL STATEMENTS

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

	School Nutrition	Daycare	School Store	Total
<b>OPERATING REVENUE:</b>				
Local sources:				
Charges for services	\$ 55,182	216,171	1,895	273,248
Donations	2,000	-	-	2,000
Miscellaneous	465	-	-	465
<b>TOTAL OPERATING REVENUES</b>	<b>57,647</b>	<b>216,171</b>	<b>1,895</b>	<b>275,713</b>
<b>OPERATING EXPENSES:</b>				
Instruction:				
Other:				
Salaries	-	86,493	-	86,493
Benefits	-	54,996	-	54,996
Services	-	509	-	509
Supplies	-	9,307	-	9,307
Other	-	751	-	751
	-	152,056	-	152,056
Support services:				
Administration:				
Services	-	375	-	375
Operation and maintenance of plant:				
Services	473	-	-	473
Total support services	473	375	-	848
Non-instructional programs:				
Food service operations:				
Salaries	36,403	-	-	36,403
Benefits	19,716	-	-	19,716
Supplies	63,687	-	-	63,687
Depreciation	6,871	-	-	6,871
Other	1,537	-	-	1,537
	128,214	-	-	128,214
Community service operations:				
Salaries	-	41,203	-	41,203
Benefits	-	7,144	-	7,144
Other	-	4,679	-	4,679
Depreciation	-	109	-	109
	-	53,135	-	53,135
Other enterprise operations:				
Supplies	-	-	1,360	1,360
Total non-instructional programs	128,214	53,135	1,360	182,709
<b>TOTAL OPERATING EXPENSES</b>	<b>128,687</b>	<b>205,566</b>	<b>1,360</b>	<b>335,613</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(71,040)</b>	<b>10,605</b>	<b>535</b>	<b>(59,900)</b>
<b>NON-OPERATING REVENUES:</b>				
State sources	1,105	-	-	1,105
Federal sources	55,928	-	-	55,928
Interest income	-	5	-	5
<b>TOTAL NON-OPERATING REVENUES</b>	<b>57,033</b>	<b>5</b>	<b>-</b>	<b>57,038</b>
Change in net position	(14,007)	10,610	535	(2,862)
Net position beginning of year	21,969	173,988	15,821	211,778
Net position end of year	\$ 7,962	184,598	16,356	208,916

SEE NOTES TO FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

	School Nutrition	Daycare	School Store	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 54,752	-	-	54,752
Cash received from daycare services	-	218,671	-	218,671
Cash received from school store sales	-	-	1,895	1,895
Cash received from donations	2,000	-	-	2,000
Cash received from miscellaneous	465	-	-	465
Cash payments to employees for services	(55,682)	(175,546)	-	(231,228)
Cash payments to suppliers for goods or services	(57,847)	(15,390)	(1,360)	(74,597)
Net cash provided by(used in) operating activities	(56,312)	27,735	535	(28,042)
Cash flows from non-capital financing activities:				
Borrowings(Repayments) from(to) General Fund	63	(15,702)	-	(15,639)
State grants received	1,105	-	-	1,105
Federal grants received	46,718	-	-	46,718
Net cash provided by(used in) non-capital financing activities	47,886	(15,702)	-	32,184
Cash flows from investing activities:				
Interest on investments	-	5	-	5
Net increase(decrease) in cash and cash equivalents	(8,426)	12,038	535	4,147
Cash and cash equivalents at beginning of year	8,670	207,604	15,821	232,095
Cash and cash equivalents at end of year	\$ 244	219,642	16,356	236,242
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (71,040)	10,605	535	(59,900)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities used	9,210	-	-	9,210
Depreciation	6,871	-	-	6,871
Increase in inventories	(1,360)	-	-	(1,360)
Decrease in accounts receivable	135	149	-	284
Increase in accounts payable	-	191	-	191
Increase(Decrease) in unearned revenue	(565)	2,500	-	1,935
Increase in other postemployment benefits	437	14,290	-	14,727
Net cash provided by(used in) operating activities	\$ (56,312)	27,735	535	(28,042)

## NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$9,210.

SEE NOTES TO FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2013

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and pooled investments	\$ 5,569
	<u>5,569</u>
<b>Liabilities</b>	
Due to other groups	5,569
	<u>5,569</u>
<b>Net position</b>	<u>\$ -</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

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

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

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

*Invested in capital assets*, consists of capital assets, net of accumulated depreciation and reduced by outstanding balance 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 two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

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

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

### C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 - committed, assigned and then unassigned fund balances.

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

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

#### D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

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

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

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

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

Deferred revenue on the Statement of Net 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.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

#### E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, District expenditures in the other expenditures functional area exceeded the budgeted amount.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2013 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2013, the District had investments in the Iowa School Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$125,767 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard & Poor's Financial Services.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise: School Nutrition	\$ 6,569
General	Enterprise: Daycare	17,920
Total		<u>\$ 24,489</u>

The Enterprise: School Nutrition Fund is repaying the General Fund for July and August summer salaries and benefits not paid before year end.

The Enterprise: Daycare Fund is repaying the General Fund for June, July and August summer salaries and benefits not paid before year end.

**(4) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	<u>\$ 26,700</u>

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Machinery and equipment	\$ 110,501	-	-	110,501
Less accumulated depreciation	84,934	6,871	-	91,805
Business type activities capital assets, net	<u>\$ 25,567</u>	<u>(6,871)</u>	<u>-</u>	<u>18,696</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 30,821	-	-	30,821
Construction in progress	-	839,256	-	839,256
Total capital assets not being depreciated	<u>30,821</u>	<u>839,256</u>	<u>-</u>	<u>870,077</u>
Capital assets being depreciated:				
Buildings and improvements	3,320,790	110,024	-	3,430,814
Land improvements	565,220	-	-	565,220
Machinery and equipment	1,645,547	191,188	81,945	1,754,790
Total capital assets being depreciated	<u>5,531,557</u>	<u>301,212</u>	<u>81,945</u>	<u>5,750,824</u>
Less accumulated depreciation for:				
Buildings and improvements	1,532,635	136,889	-	1,669,524
Land improvements	407,219	26,240	-	433,459
Machinery and equipment	1,437,155	70,234	73,565	1,433,824
Total accumulated depreciation	<u>3,377,009</u>	<u>233,363</u>	<u>73,565</u>	<u>3,536,807</u>
Total capital assets being depreciated, net	<u>2,154,548</u>	<u>67,849</u>	<u>8,380</u>	<u>2,214,017</u>
Governmental activities capital assets, net	<u>\$ 2,185,369</u>	<u>907,105</u>	<u>8,380</u>	<u>3,084,094</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 13,815
Support services:	
Administration	2,945
Operation and maintenance of plant	10,250
Transportation	<u>43,224</u>
	70,234
Unallocated depreciation	<u>163,129</u>
Total governmental activities depreciation expense	<u>\$ 233,363</u>
Business type activities:	
Food services	<u>\$ 6,871</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities 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:					
Compensated absences	\$ 16,412	17,216	16,412	17,216	17,216
Computer lease	25,018	-	25,018	-	-
Net OPEB liability	158,204	-	10,421	147,783	-
Total	<u>\$ 199,634</u>	<u>17,216</u>	<u>51,851</u>	<u>164,999</u>	<u>17,216</u>
Business type activities:					
Net OPEB liability	\$ 5,789	14,727	-	20,516	-

**(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 payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011, were \$146,919, \$131,428, and \$107,803, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits**

Plan Description - The District operates a single-employer health benefit plan, which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 43 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark Blue Cross Blue. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which result in an implicit rate subsidy and an OPEB liability. The District also offers early retirement benefits in the form of health insurance benefits resulting in an explicit subsidy to the OPEB liability.

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

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

The following table shows the components of the Districts 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	\$ 17,036
Interest on net OPEB obligation	7,380
Adjustment to annual required contribution	(6,990)
Annual OPEB cost	<u>17,426</u>
Contributions made	(13,120)
Increase in net OPEB obligation	<u>4,306</u>
Net OPEB obligation beginning of year	<u>163,993</u>
Net OPEB obligation end of year	<u><u>\$ 168,299</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.

For the year ended June 30, 2013, the District contributed \$13,120 to the medical plan. Plan members eligible for benefits contributed \$72,390 or 84.66% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	115,321	55.50%	98,321
2012	115,672	43.23%	163,993
2013	17,426	75.29%	168,299

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 \$157,847, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$157,847. The covered payroll (annual payroll of active employees covered by the plan) was \$2,192,646 and the ratio of the UAAL to covered payroll was 7.20%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2012 actuarial valuation date, the Entry Age Cost Method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The medical trend rate increases 3% each year.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

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

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2013 were \$340,073.

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

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

**(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 \$117,558 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2013, expenditures in the other expenditures function exceeded the amount budgeted.

**(12) Deficit Unassigned Fund Balance and Unrestricted Net Position**

The Enterprise: School Nutrition Fund had deficit unrestricted net position balance of \$10,734 at June 30, 2013.

**(13) Construction Commitment**

The District has entered into a contract totaling \$840,927 for the construction of a safe room. As of June 30, 2013, costs of \$839,256 had been incurred against the contract. The balance of \$1,671 remaining at June 30, 2013 will be paid as work on the project is completed.

**(14) 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>
Limited english proficient weighting	\$ 1,162
Home school assistance program	4,109
Dropout and dropout prevention	5,652
Teacher salary supplement	14,380
Market factor	19
Four year old preschool state aid	584
Professional development: model core curriculum	7,922
Professional development	8,106
Market factor incentives	1,948
Transportation assistance	896
Governor's advisory council STEM scale-up	572
Total	<u>\$ 45,350</u>

REQUIRED SUPPLEMENTARY INFORMATION

UNITED COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,931,258	275,718	4,206,976	4,768,465	4,768,465	(561,489)
State sources	1,006,663	1,105	1,007,768	1,214,876	1,214,876	(207,108)
Federal sources	363,556	55,928	419,484	135,000	135,000	284,484
Total revenues	5,301,477	332,751	5,634,228	6,118,341	6,118,341	(484,113)
Expenditures/expenses:						
Instruction	2,917,973	152,056	3,070,029	4,325,000	4,325,000	1,254,971
Support services	1,454,633	848	1,455,481	1,948,500	1,948,500	493,019
Non-instructional programs	19	182,709	182,728	177,000	210,000	27,272
Other expenditures	1,095,654	-	1,095,654	753,415	775,000	(320,654)
Total expenditures/expenses	5,468,279	335,613	5,803,892	7,203,915	7,258,500	1,454,608
Deficiency of revenues under expenditures/expenses	(166,802)	(2,862)	(169,664)	(1,085,574)	(1,140,159)	970,495
Balance beginning of year	2,285,822	211,778	2,497,600	1,994,998	1,994,998	502,602
Balance end of year	\$ 2,119,020	208,916	2,327,936	909,424	854,839	1,473,097

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions areas, not by fund. 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 \$54,585.

During the year ended June 30, 2013, District expenditures in the other expenditures function exceeded the amount budgeted.

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

Year Ended June, 30	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 787,000	\$ 787,000	0.00%	\$ 1,333,634	59.01%
2011	July 1, 2009	-	787,000	787,000	0.00%	1,368,013	57.53%
2012	July 1, 2009	-	787,000	787,000	0.00%	1,105,489	71.19%
2013	July 1, 2012	-	157,847	157,847	0.00%	2,192,646	7.20%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 502	328,752	329,254
Receivables:			
Property tax:			
Delinquent	-	194	194
Succeeding year	-	60,000	60,000
<b>Total Assets</b>	<b>\$ 502</b>	<b>388,946</b>	<b>389,448</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	60,000	60,000
Total liabilities	-	60,000	60,000
Fund balances:			
Restricted for:			
Management levy purposes	-	328,946	328,946
Student activities	502	-	502
Total fund balances	502	328,946	329,448
<b>Total Liabilities and Fund Balances</b>	<b>\$ 502</b>	<b>388,946</b>	<b>389,448</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNITED COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2013

	Special Revenue				
	Student Activity	Management Levy	Total	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ -	41,585	41,585	-	41,585
Other	353	4,978	5,331	-	5,331
Total revenues	353	46,563	46,916	-	46,916
Expenditures:					
Current:					
Instruction:					
Regular	-	8,686	8,686	-	8,686
Other	701	-	701	-	701
Support services:					
Administration	-	50,515	50,515	-	50,515
Transportation	-	31	31	-	31
Long-term debt:					
Principal	-	-	-	25,018	25,018
Interest and fiscal charges	-	-	-	1,682	1,682
Total expenditures	701	59,232	59,933	26,700	86,633
Deficiency of revenues under expenditures	(348)	(12,669)	(13,017)	(26,700)	(39,717)
Other financing sources:					
Transfer in	-	-	-	26,700	26,700
Change in fund balances	(348)	(12,669)	(13,017)	-	(13,017)
Fund balances beginning of year	850	341,615	342,465	-	342,465
Fund balance end of year	\$ 502	328,946	329,448	-	329,448

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNITED 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
<b>Assets</b>			
Cash and pooled investments	\$ 570,179	595,156	1,165,335
Receivables:			
Property tax:			
Delinquent	-	1,661	1,661
Succeeding year	-	399,343	399,343
Due from other governments	40,562	-	40,562
<b>Total Assets</b>	<b>\$ 610,741</b>	<b>996,160</b>	<b>1,606,901</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	108,444	-	108,444
Deferred revenue:			
Succeeding year property tax	-	399,343	399,343
<b>Total liabilities</b>	<b>108,444</b>	<b>399,343</b>	<b>507,787</b>
Fund balances:			
Restricted for:			
School infrastructure	502,297	-	502,297
Physical plant and equipment	-	596,817	596,817
<b>Total fund balances</b>	<b>502,297</b>	<b>596,817</b>	<b>1,099,114</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 610,741</b>	<b>996,160</b>	<b>1,606,901</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNITED COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 FOR YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 184,069	368,718	552,787
Other	540	2,119	2,659
State sources	42,481	-	42,481
Federal sources	295,872	-	295,872
Total revenues	522,962	370,837	893,799
Expenditures:			
Current:			
Instruction:			
Regular	43,767	-	43,767
Support services:			
Instructional staff	-	321,575	321,575
Administration	-	11,552	11,552
Operation and maintenance of plant	30,069	45,994	76,063
Transportation	-	76,067	76,067
Capital outlay	816,519	134,877	951,396
Total expenditures	890,355	590,065	1,480,420
Deficiency of revenues under expenditures	(367,393)	(219,228)	(586,621)
Other financing uses:			
Transfer out	-	(26,700)	(26,700)
Change in fund balances	(367,393)	(245,928)	(613,321)
Fund balances beginning of year	869,690	842,745	1,712,435
Fund balance end of year	\$ 502,297	596,817	1,099,114

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNITED 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	Balance End of Year
Student Council	\$ 841	-	476	365
Band Resale	-	353	225	128
Interest	9	-	-	9
Total	<u>\$ 850</u>	<u>353</u>	<u>701</u>	<u>502</u>

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UNITED COMMUNITY SCHOOL 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
<b>Assets</b>				
Cash and pooled investments	\$ 5,750	-	181	5,569
<b>Liabilities</b>				
Due to other groups	\$ 5,750	-	181	5,569

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNITED COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUNDS  
 FOR 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	\$ 3,286,160	2,968,397	2,657,694	2,245,354	2,252,265	2,159,550	2,223,123	2,188,783	2,113,951	2,161,356
Tuition	604,696	511,340	440,537	270,840	1,285,106	1,274,648	1,219,202	1,035,103	1,045,940	1,006,027
Other	40,402	45,319	70,046	28,478	69,073	164,533	167,903	145,050	75,636	48,305
State sources	1,006,663	1,220,982	980,933	920,094	1,053,580	1,090,722	1,071,872	1,253,714	1,115,796	990,837
Federal sources	363,556	122,180	168,860	314,723	138,014	86,373	92,371	90,716	86,328	94,537
Total	\$ 5,301,477	4,868,218	4,318,070	3,779,489	4,798,038	4,775,826	4,774,471	4,713,366	4,437,651	4,301,062
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,165,225	2,149,335	2,119,282	2,128,118	2,744,751	2,411,291	2,452,806	2,233,046	2,449,747	2,377,029
Special	443,192	423,284	455,575	400,274	430,722	503,640	392,082	467,737	430,068	543,172
Other	309,556	291,156	290,275	228,099	240,073	215,471	86,972	108,152	1,960	22,003
Support services:										
Student services	91,097	93,281	99,568	109,753	96,907	89,024	137,981	126,054	49,587	48,855
Instructional staff	353,149	54,983	66,147	67,827	112,514	63,664	18,336	50,248	43,795	72,729
Administration	403,017	400,067	477,431	490,145	486,215	474,542	397,150	351,022	347,571	350,298
Operation and maintenance of plant	309,332	263,707	312,755	774,751	289,359	255,613	254,876	235,374	215,282	226,266
Transportation	298,038	216,910	287,185	281,635	207,401	272,101	166,663	229,511	178,676	224,964
Non-instructional programs:										
Food service operations	-	-	-	-	-	1,903	1,570	1,158	31,503	23,617
Community service operations	19	-	2,323	-	-	-	459	1,452	1,032	4,116
Capital outlay	951,396	334,508	381,361	-	182,677	180,012	240,894	178,190	333,960	163,091
Long-term debt:										
Principal	25,018	24,012	22,512	26,272	-	-	-	-	-	-
Interest and fiscal charges	1,682	3,182	4,682	922	-	-	-	-	-	-
Other expenditures:										
AEA flow-through	117,558	121,058	133,949	134,797	126,184	122,295	119,439	117,851	115,415	118,556
Total	\$ 5,468,279	4,375,483	4,653,045	4,642,593	4,916,803	4,589,556	4,269,228	4,099,795	4,198,596	4,174,696

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 United 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 United 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 24, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered United 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 United Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of United Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

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. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-13 through I-D-13 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether United Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

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opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

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

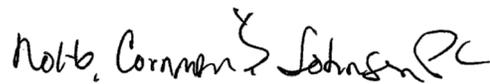
### **United Community School District's Responses to Findings**

United Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. United 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 United Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2014  
Newton, Iowa

UNITED 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 DEFICIENCIES:**

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 may perform two or more functions in each of the following areas for the District.

- 1) Cash - initiating cash receipt and disbursement transactions 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 - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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 - The District continues to evaluate procedures to improve internal controls with the limited resources and staff available.

Conclusion - Response acknowledged.

I-B-13 Authorized Check Signatures - We noted during our audit a check that cleared the bank lacking the Board Secretary's signature. Chapter 291.1 of the Code of Iowa requires the Board President and the Board Secretary to sign all checks issued. Also, pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in his absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapters 291.1 and 291.8 of the Code of Iowa.

Response - The District continues to review its procedures and believes this is an isolated incident.

Conclusion - Response accepted.

- I-C-13 Deficit Student Nutrition Account Balances - We noted during our audit that the District has deficit student balances in the Nutrition Fund. The District should design and implement procedures with regard to deficit accounts. The amount of negative balances remains a concern.

Recommendation - The District should design and implement procedures with regard to deficit accounts. The amount of negative balances remains a concern. The Board should direct management as to expectations in collecting deficit balances and how to proceed with lunch participation when an individual has a negative account balance.

Response - The District continues to evaluate procedures to improve collection of negative balances.

Conclusion - Response accepted.

- I-D-13 Pre-Numbered Receipts - We noted during our audit that the District currently does not use pre-numbered receipt books for cash collections.

Recommendation - The District should institute the use of pre-numbered receipt books to achieve better internal control over cash collections. Additionally, the use of pre-numbered receipt books allows the person responsible for bank reconciliations to be able to reconcile cash collected to the amount that was deposited in the bank.

Response - The District will continue to review procedures to achieve better internal control over cash collections with the limited resources and staff available.

Conclusion - Response accepted.

#### OTHER MATTERS:

- I-E-13 Interest Allocation - We noted during our audit that the District has an interest account in the Student Activity Fund. It appears that interest earned was not allocated during the year.

Recommendation - Interest received in these accounts should be allocated amongst the individual activity fund accounts that earned interest during the year. Allocation should be done at least annually.

Response - The District will allocate activity interest annually.

Conclusion - Response accepted.

#### **Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013 exceeded the amount budgeted in the other expenditures functional area.

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

Response - The budget will be amended in fiscal 2014 if expenditures are forecasted to exceed the certified budget.

Conclusion - Response accepted.

- II-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-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 - No business transactions between the District and District officials or employees were noted.
- 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 no variance in the basic enrollment data certified to the Department of Education.
- II-H-13 Supplementary Weighting - No variance 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 noted with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	869,690
Revenues:			
Sales tax revenues	\$	184,069	
Other local revenues		540	
State revenues		42,481	
Federal revenues		295,872	522,962
			<u>1,392,652</u>
Expenditures:			
School infrastructure construction	\$	647,941	
Equipment		30,069	
Other		212,345	890,355
Ending balance			<u>\$ 502,297</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.

II-M-13 PPEL Expenditures - We noted the District did not make the corrective transfer from the General Fund to the Physical Plant and Equipment Levy Fund for \$8,103.62 that was recommended in the 2012 audit report.

Recommendation - The District should review its procedures to ensure that purchases made from the PPEL fund are in compliance with Chapter 298 of the Code of Iowa. We also recommend that a corrective transfer of \$8,103.62 be made from the General Fund to the PPEL Fund.

Response - The District continues to review its procedures for purchases from PPEL and will make the corrective transfer from the General Fund to the PPEL Fund.

Conclusion - Response accepted.

II-N-13 Financial Condition - We noted the Enterprise: School Nutrition Fund had a deficit unrestricted net position of \$10,734 at June 30, 2013.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit. The District should review the controls in place for these funds. Additional controls for approving purchases may be needed.

Response - The District will monitor the Nutrition Fund and review the controls in place. The District will make adjustments in revenues, expenditures and staffing levels to help eliminate the deficit.

Conclusion - Response accepted.