

EAST UNION COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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## East Union Community School District

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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#### Board of Education

##### (Before September 2013 Election)

Sarah Long	President	2013
Jeanna McKinney	Vice President	2015
Randy Wuebker	Board Member	2015
Kenneth Hagen	Board Member	2013
Brett Weis	Board Member	2015

##### (After September 2013 Election)

Brett Weis	President	2015
Jeanna McKinney	Vice President	2015
Kenneth Hagen	Board Member	2017
Mike Rollings	Board Member	2017
Rex Kelly	Board Member	2017

#### School Officials

Dr. Pam Vogel	Superintendent	2014
Billie Jo Greene	Business Manager/Board Secretary	2014
Ahlers & Cooney, P.C.	Attorney	2014

EAST UNION 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 East Union Community School District:**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Union Community School District, Afton, Iowa, as of and for the year ended June 30, 2014, 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 East Union Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information 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 East Union Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 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 27, 2015 on our consideration of East Union Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering East Union Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2015  
Newton, Iowa

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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East Union Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,227,649 during fiscal year 2013 to \$5,365,488 during fiscal year 2014, while General Fund expenditures increased from \$5,753,335 during fiscal year 2013 to \$5,813,346 during fiscal year 2014. The District's General Fund balance decreased from \$304,270 at June 30, 2013 to a deficit \$143,588 at June 30, 2014, a 147.19% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in state revenues received during fiscal year 2014. The increase in expenditures was due primarily to increases in the instructional functional area, primarily due to the increase in special education support services during the year.

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

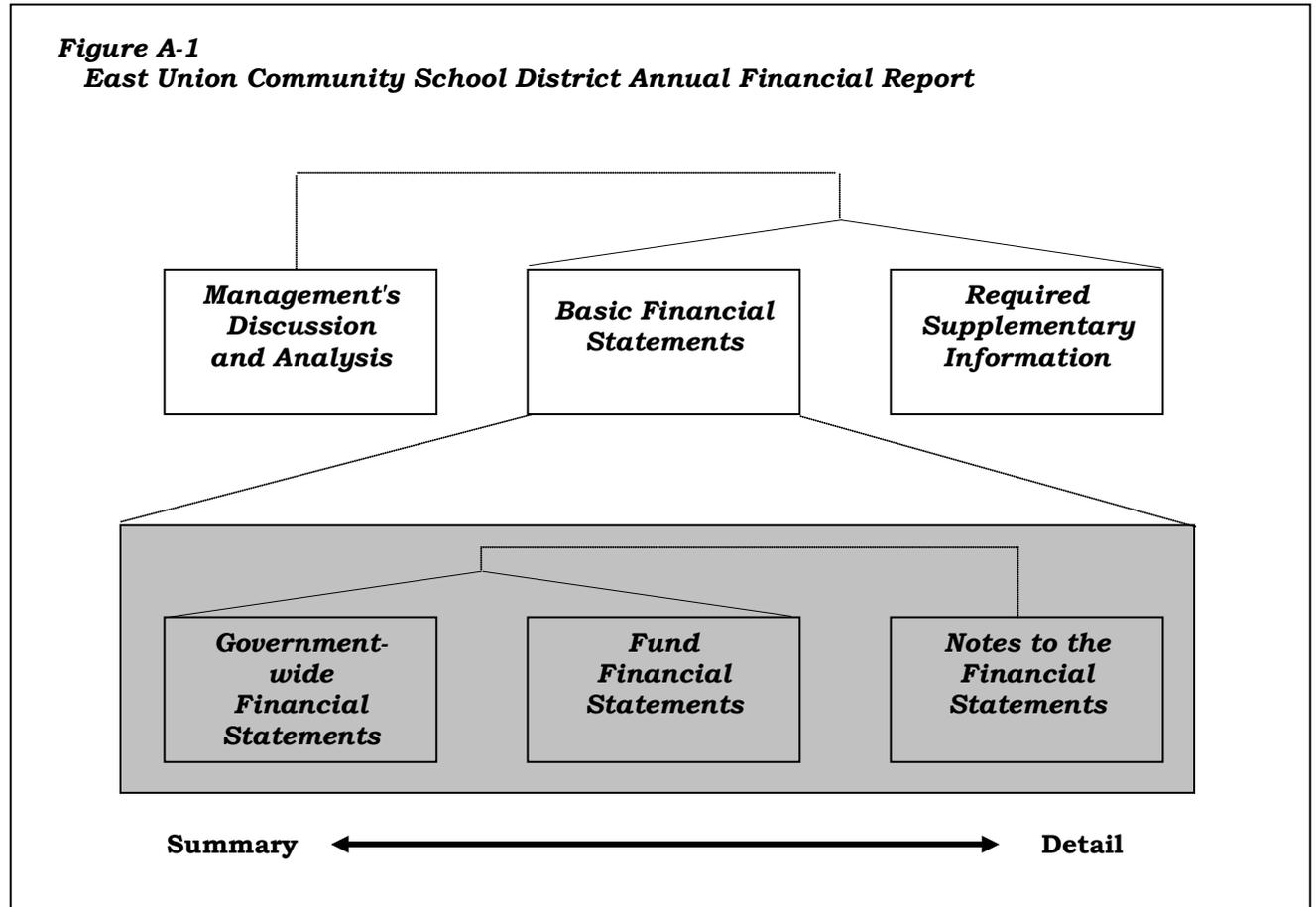


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service operations
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>
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
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
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

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## 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

In the government-wide financial statements, the District's activities are divided into 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 two 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, Capital Projects Fund and Debt Service 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 two enterprise funds, the School Nutrition Fund and the Early Childhood Fund.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net position at June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 3,462,116	4,040,651	117,065	130,839	3,579,181	4,171,490	-14.20%
Capital assets	8,922,179	9,236,064	36,477	42,685	8,958,656	9,278,749	-3.45%
Total assets	<u>12,384,295</u>	<u>13,276,715</u>	<u>153,542</u>	<u>173,524</u>	<u>12,537,837</u>	<u>13,450,239</u>	<u>-6.78%</u>
Long-term liabilities	4,691,152	4,978,043	728	1,783	4,691,880	4,979,826	-5.78%
Other liabilities	373,086	569,917	16,100	26,423	389,186	596,340	-34.74%
Total liabilities	<u>5,064,238</u>	<u>5,547,960</u>	<u>16,828</u>	<u>28,206</u>	<u>5,081,066</u>	<u>5,576,166</u>	<u>-8.88%</u>
Deferred inflows of resources	<u>2,251,466</u>	<u>2,220,948</u>	<u>-</u>	<u>-</u>	<u>2,251,466</u>	<u>2,220,948</u>	<u>1.37%</u>
Net position:							
Net investment in capital assets	4,243,082	4,274,975	36,477	41,597	4,279,559	4,316,572	-0.86%
Restricted	874,411	820,054	-	-	874,411	820,054	6.63%
Unrestricted	(48,902)	412,778	100,237	103,721	51,335	516,499	-90.06%
Total net position	<u>\$ 5,068,591</u>	<u>5,507,807</u>	<u>136,714</u>	<u>145,318</u>	<u>5,205,305</u>	<u>5,653,125</u>	<u>-7.92%</u>

The District's combined net position decreased by 7.92% or \$447,820 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$54,357 or 6.63% from the prior year. The increase was primarily a result of the increase in the Capital Projects Accounts balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$465,164 or 90.06%. This decrease was largely due to the decrease in the General Fund balance.

Figure A-4 shows the changes in the District's net position for the year ended June 30, 2014, compared to June 30, 2013.

	Figure A-4							
	Changes of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2014	2013	2014	2013	2014	2013	2013-14	
Revenues:								
Program revenues:								
Charges for service	\$ 443,712	327,479	209,695	239,599	653,407	567,078	15.22%	
Operating grants, contributions and restricted interest	635,210	811,113	280,513	246,234	915,723	1,057,347	-13.39%	
Capital grants, contributions and restricted interest	5,091	64,679	-	-	5,091	64,679	-92.13%	
General revenues:								
Property tax	2,220,432	2,025,118	-	-	2,220,432	2,025,118	9.64%	
Income surtax	235,100	204,182	-	-	235,100	204,182	15.14%	
Statewide sales, services and use tax	425,921	390,303	-	-	425,921	390,303	9.13%	
Unrestricted state grants	2,428,766	2,164,611	-	-	2,428,766	2,164,611	12.20%	
Unrestricted investment earnings	305	1,119	12	4	317	1,123	-71.77%	
Other general revenue	41,688	96,711	1,539	-	43,227	96,711	-55.30%	
<b>Total revenues</b>	<b>6,436,225</b>	<b>6,085,315</b>	<b>491,759</b>	<b>485,837</b>	<b>6,927,984</b>	<b>6,571,152</b>	<b>5.43%</b>	
Program expenses:								
Instructional	4,234,777	3,824,489	-	73,315	4,234,777	3,897,804	8.65%	
Support services	2,006,610	1,968,015	85,635	49,455	2,092,245	2,017,470	3.71%	
Non-instructional programs	-	-	414,728	241,482	414,728	241,482	71.74%	
Other expenses	634,054	627,763	-	-	634,054	627,763	1.00%	
<b>Total expenses</b>	<b>6,875,441</b>	<b>6,420,267</b>	<b>500,363</b>	<b>364,252</b>	<b>7,375,804</b>	<b>6,784,519</b>	<b>8.72%</b>	
Change in net position	(439,216)	(334,952)	(8,604)	121,585	(447,820)	(213,367)	109.88%	
Net position beginning of year	5,507,807	5,842,759	145,318	23,733	5,653,125	5,866,492	-3.64%	
Net position end of year	\$ 5,068,591	5,507,807	136,714	145,318	5,205,305	5,653,125	-7.92%	

Local tax, statewide sales, services and use tax and unrestricted state grants accounted for 82.51% of governmental activities revenue while charges for service and operation grants, contributions and restricted interest accounted for almost all of business type activities revenue.

The District's total revenues were \$6.93 million, of which approximately \$6.44 million was for governmental activities and approximately \$0.49 million was for business type activities.

As shown in figure A-4, the District as a whole experienced a 5.43% increase in revenues and an 8.72% increase in expenses. The increase in expenses is related to increases in instructional and non-instructional programs functional areas expenditures.

### Governmental Activities

Revenues for governmental activities were \$6,436,225 and expenses were \$6,875,441 for the year ended June 30, 2014. The revenues increased in the governmental activities by \$350,910 mainly due to an increase in state grant revenue received by the District during fiscal year 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 4,234,777	3,824,489	10.73%	3,401,651	2,956,743	15.05%
Support services	2,006,610	1,968,015	1.96%	1,947,979	1,814,157	7.38%
Other expenses	634,054	627,763	1.00%	441,798	446,096	-0.96%
Totals	\$ 6,875,441	6,420,267	7.09%	5,791,428	5,216,996	11.01%

- The cost financed by users of the District's programs was \$443,712.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$640,301.
- The net cost of governmental activities was financed with \$2,220,432 in property tax, \$235,100 in income surtax, \$425,921 in statewide sales, services and use tax, \$2,428,766 in unrestricted state grants, \$305 in interest income and \$41,688 in other general revenue.

### Business Type Activities

Revenues of the District's business type activities were \$491,759 and expenses were \$500,363. The District's business type activities include the School Nutrition Fund and the Early Childhood Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$651,241 down from last year's ending fund balances of \$1,072,941. The primary reason for the decrease in the combined fund balance at the end of fiscal year 2014 is the decrease in the General Fund balance.

### Governmental Fund Highlights

- The District's General Fund balance decreased from \$304,270 on June 30, 2013 to a deficit \$143,588 on June 30, 2014. The fluctuation in the District's General Fund financial position is the product of many factors. An increase in revenues from state sources contributed to an overall increase in revenues during fiscal year 2014. Despite this increase, expenditures continued to outpace revenues causing a 147.19% decrease in fund balance during the year
- The Capital Projects accounts balance increased from a balance of \$520,651 at June 30, 2013 to \$546,103 at June 30, 2014. The increase in fund balance resulted mainly from an increase in state revenues received during fiscal 2014 as compared to the prior year year.
- The Debt Service Fund balance increased from \$128,082 at June 30, 2014 to \$128,861 at June 30, 2013, an increase of less than 1%.

## Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$69,097 at June 30, 2013 to \$94,502 at June 30, 2014, representing a percentage increase of 36.77%. The Early Childhood Fund net position decreased from \$76,221 at June 30, 2013 to \$42,212 at June 30, 2014, representing a percentage decrease of 44.62%.

## BUDGETARY HIGHLIGHTS

Over the course of the year, East Union Community School District amended its budget one time to reflect additional expenditures for the Early Childhood program and student transportation.

The District's revenues were \$71,840 more than budgeted revenues, a variance of 1.05%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The district then manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2014, the District had invested \$8,958,656, 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 decrease of 3.45% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$356,104.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 14,205	14,205	-	-	14,205	14,205	0.00%
Buildings	8,384,805	8,619,247	-	-	8,384,805	8,619,247	-2.72%
Land improvements	326,129	347,561	-	-	326,129	347,561	-6.17%
Machinery and equipment	197,040	255,051	36,477	42,685	233,517	297,736	-21.57%
Total	\$ 8,922,179	9,236,064	36,477	42,685	8,958,656	9,278,749	-3.45%

The original cost of the District's capital assets was \$12,144,020. Governmental funds accounted for \$12,047,452 with the remainder of \$96,568 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The machinery and equipment category totaled \$297,736 at June 30, 2013, compared to \$233,517 reported at June 30, 2014. This increase is a due to an addition of a new exterior lighting project.

### Long-Term Debt

At June 30, 2014, the District had long-term debt outstanding of \$4,691,880 in general obligation bonds, revenue bonds, lease obligations, loans payable, compensated absences and OPEB liability (See Figure A-7). Additional detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had outstanding general obligation bonds of \$3,520,000 at June 30, 2014.

The District had outstanding revenue bonded indebtedness of \$1,100,000 at June 30, 2014.

The District had outstanding bus loans of \$59,097 at June 30, 2014.

The District had compensated absences payable of \$10,220 at June 30, 2014. Governmental activities account for \$9,600 and business type activities account for \$620.

The District had total Net OPEB liability of \$2,563 at June 30, 2014. Governmental activities account for \$2,455 and business type activities account for \$108.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds	\$ 3,520,000	3,665,000	-	-	3,520,000	3,665,000	-3.96%
Revenue bonds	1,100,000	1,150,000	-	-	1,100,000	1,150,000	-4.35%
Computer lease	-	48,344	-	-	-	48,344	-100.00%
Bus loans	59,097	97,745	-	-	59,097	97,745	-39.54%
Vending machine loan	-	-	-	1,088	-	1,088	-100.00%
Compensated absences	9,600	1,217	620	-	10,220	1,217	739.77%
Net OPEB liability	2,455	15,737	108	695	2,563	16,432	-84.40%
Total	\$ 4,691,152	4,978,043	728	1,783	4,691,880	4,979,826	-5.78%

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

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

- The District will continue to consider and seek financing sources to support the shortfalls from the state.
- The supplemental state aid for the 2013-14 school year was set at two percent. There will also be an additional two percent above the state aid payment paid by the state in the 2013-14 school year. The supplemental state aid was set at four percent for the 2014-15 school year. However, the supplemental state aid for the 2015-16 school year has not been set.

- 
- The District will be negotiating a new collective bargaining agreement during fiscal 2015. Settlements in the excess of “new money” or Supplemental State Aid will have an adverse effect on the District’s Fund budget and related fund balances.
  - The District is reducing staff costs through attrition and program changes.
  - Low allowable growth over several years and possible enrollment decreases may negatively impact the District’s spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
  - The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period which started in fiscal year 2005.

### **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 Rhiannon Tessum, Business Manager/District Board Secretary/Treasurer, East Union Community School District, 1916 High School Drive, Afton, Iowa, 50830.

BASIC FINANCIAL STATEMENTS

EAST UNION COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 787,173	96,114	883,287
Receivables:			
Property tax:			
Delinquent	33,400	-	33,400
Succeeding year	2,251,466	-	2,251,466
Income surtax	212,225	-	212,225
Accounts	1,076	1,268	2,344
Due from other governments	176,776	9,686	186,462
Inventories	-	9,997	9,997
Capital assets, net of accumulated depreciation	8,922,179	36,477	8,958,656
<b>Total assets</b>	<b>12,384,295</b>	<b>153,542</b>	<b>12,537,837</b>
<b>Liabilities</b>			
Accounts payable	160,540	6,010	166,550
Salaries and benefits payable	55,679	4,792	60,471
Due to other governments	130,965	-	130,965
Accrued interest payable	25,902	-	25,902
Unearned revenue	-	5,298	5,298
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	150,000	-	150,000
Revenue bonds payable	50,000	-	50,000
Bus loans payable	38,757	-	38,757
Portion due after one year:			
General obligation bonds payable	3,370,000	-	3,370,000
Revenue bonds payable	1,050,000	-	1,050,000
Bus loans payable	20,340	-	20,340
Compensated absences	9,600	620	10,220
Net OPEB liability	2,455	108	2,563
<b>Total liabilities</b>	<b>5,064,238</b>	<b>16,828</b>	<b>5,081,066</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	2,251,466	-	2,251,466
<b>Net Position</b>			
Net investment in capital assets	4,243,082	36,477	4,279,559
Restricted for:			
Categorical funding	105,008	-	105,008
Debt service	102,959	-	102,959
Management levy purposes	25,989	-	25,989
Student activities	94,352	-	94,352
School infrastructure	410,612	-	410,612
Physical plant and equipment levy	135,491	-	135,491
Unrestricted	(48,902)	100,237	51,335
<b>Total net position</b>	<b>\$ 5,068,591</b>	<b>136,714</b>	<b>5,205,305</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**EAST UNION COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 2,469,081	147,278	99,591	-	(2,222,212)	-	(2,222,212)
Special	766,300	109,528	24,067	-	(632,705)	-	(632,705)
Other	999,396	135,327	317,335	-	(546,734)	-	(546,734)
	<u>4,234,777</u>	<u>392,133</u>	<u>440,993</u>	<u>-</u>	<u>(3,401,651)</u>	<u>-</u>	<u>(3,401,651)</u>
Support services:							
Student	57,027	-	-	-	(57,027)	-	(57,027)
Instructional staff	243,725	-	-	-	(243,725)	-	(243,725)
Administration	794,984	22,567	-	-	(772,417)	-	(772,417)
Operation and maintenance of plant	494,902	-	-	5,091	(489,811)	-	(489,811)
Transportation	415,972	29,012	1,961	-	(384,999)	-	(384,999)
	<u>2,006,610</u>	<u>51,579</u>	<u>1,961</u>	<u>5,091</u>	<u>(1,947,979)</u>	<u>-</u>	<u>(1,947,979)</u>
Long-term debt interest	185,924	-	-	-	(185,924)	-	(185,924)
Other expenditures:							
AEA flowthrough	192,256	-	192,256	-	-	-	-
Depreciation(unallocated)*	255,874	-	-	-	(255,874)	-	(255,874)
	<u>448,130</u>	<u>-</u>	<u>192,256</u>	<u>-</u>	<u>(255,874)</u>	<u>-</u>	<u>(255,874)</u>
Total governmental activities	<u>6,875,441</u>	<u>443,712</u>	<u>635,210</u>	<u>5,091</u>	<u>(5,791,428)</u>	<u>-</u>	<u>(5,791,428)</u>
Business type activities:							
Support services:							
Administration	85,098	-	-	-	-	(85,098)	(85,098)
Operation and maintenance of plant	537	-	-	-	-	(537)	(537)
Non-instructional programs:							
Food service operations	282,773	116,861	190,553	-	-	24,641	24,641
Other enterprise operations	131,955	92,834	89,960	-	-	50,839	50,839
Total business type activities	<u>500,363</u>	<u>209,695</u>	<u>280,513</u>	<u>-</u>	<u>-</u>	<u>(10,155)</u>	<u>(10,155)</u>
Total	<u>\$ 7,375,804</u>	<u>653,407</u>	<u>915,723</u>	<u>5,091</u>	<u>(5,791,428)</u>	<u>(10,155)</u>	<u>(5,801,583)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 1,871,940	-		1,871,940
Debt service				301,702	-		301,702
Capital outlay				46,790	-		46,790
Income surtax				235,100	-		235,100
Statewide sales, services and use tax				425,921	-		425,921
Unrestricted state grants				2,428,766	-		2,428,766
Unrestricted investment earnings				305	12		317
Other				41,688	1,539		43,227
Total general revenues				<u>5,352,212</u>	<u>1,551</u>		<u>5,353,763</u>
Change in net position				(439,216)	(8,604)		(447,820)
Net position beginning of year				5,507,807	145,318		5,653,125
Net position end of year				<u>\$ 5,068,591</u>	<u>136,714</u>		<u>5,205,305</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

EAST UNION COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ -	539,452	124,323	129,437	793,212
Receivables:					
Property tax:					
Delinquent	26,053	704	4,538	2,105	33,400
Succeeding year	1,764,118	46,227	301,121	140,000	2,251,466
Income surtax	212,225	-	-	-	212,225
Accounts	1,076	-	-	-	1,076
Due from other governments	102,544	74,232	-	-	176,776
<b>Total assets</b>	<b>\$ 2,106,016</b>	<b>660,615</b>	<b>429,982</b>	<b>271,542</b>	<b>3,468,155</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Excess of warrants over bank balance	\$ 6,039	-	-	-	6,039
Due to other governments	124,926	-	-	-	124,926
Accounts payable	87,388	68,285	-	10,906	166,579
Salaries and benefits payable	54,908	-	-	771	55,679
<b>Total liabilities</b>	<b>273,261</b>	<b>68,285</b>	<b>-</b>	<b>11,677</b>	<b>353,223</b>
Deferred inflows of resources					
Unavailable revenues:					
Succeeding year property tax	1,764,118	46,227	301,121	140,000	2,251,466
Income surtax	212,225	-	-	-	212,225
<b>Total deferred inflows of resources</b>	<b>1,976,343</b>	<b>46,227</b>	<b>301,121</b>	<b>140,000</b>	<b>2,463,691</b>
Fund balances:					
Restricted for:					
Categorical funding	105,008	-	-	-	105,008
Debt service	-	-	128,861	-	128,861
Management levy purposes	-	-	-	25,989	25,989
Student activities	-	-	-	94,352	94,352
School infrastructure	-	410,612	-	-	410,612
Physical plant and equipment	-	135,491	-	-	135,491
Unassigned:					
General	(248,596)	-	-	-	(248,596)
Student activities	-	-	-	(476)	(476)
<b>Total fund balances</b>	<b>(143,588)</b>	<b>546,103</b>	<b>128,861</b>	<b>119,865</b>	<b>651,241</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,106,016</b>	<b>660,615</b>	<b>429,982</b>	<b>271,542</b>	<b>3,468,155</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST UNION COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014

<b>Total fund balances of governmental funds(page 20)</b>	\$ 651,241
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,922,179
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(25,902)
Accounts receivable income surtax are not yet available to to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	212,225
Long-term liabilities, including bonds payable, bus loans payable, compensated absences payable and other postemployment benefits payable are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,691,152)</u>
<b>Net position of governmental activities(page 18)</b>	<u><u>\$ 5,068,591</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST UNION COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,961,609	46,790	301,702	139,967	2,450,068
Tuition	241,550	-	-	-	241,550
Other	147,662	5,179	7	145,707	298,555
State sources	2,803,458	425,921	-	-	3,229,379
Federal sources	211,209	-	-	-	211,209
Total revenues	<u>5,365,488</u>	<u>477,890</u>	<u>301,709</u>	<u>285,674</u>	<u>6,430,761</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,278,820	-	-	96,642	2,375,462
Special	741,778	-	-	-	741,778
Other	809,090	-	-	154,764	963,854
	<u>3,829,688</u>	<u>-</u>	<u>-</u>	<u>251,406</u>	<u>4,081,094</u>
Support services:					
Student	55,039	-	-	-	55,039
Instructional staff	224,742	-	-	-	224,742
Administration	668,026	97,587	-	-	765,613
Operation and maintenance of plant	456,609	-	-	27,103	483,712
Transportation	345,980	-	-	7,238	353,218
	<u>1,750,396</u>	<u>97,587</u>	<u>-</u>	<u>34,341</u>	<u>1,882,324</u>
Capital outlay	-	224,857	-	-	224,857
Long-term debt:					
Principal	-	-	281,992	-	281,992
Interest	-	-	189,938	-	189,938
	<u>-</u>	<u>-</u>	<u>471,930</u>	<u>-</u>	<u>471,930</u>
Other expenditures:					
AEA flowthrough	192,256	-	-	-	192,256
Total expenditures	<u>5,772,340</u>	<u>322,444</u>	<u>471,930</u>	<u>285,747</u>	<u>6,852,461</u>
Excess(Deficiency) of revenues over(under) expenditures	(406,852)	155,446	(170,221)	(73)	(421,700)
Other financing sources(uses):					
Transfer in	-	-	171,000	-	171,000
Transfer out	(41,006)	(129,994)	-	-	(171,000)
Total other financing sources(uses)	<u>(41,006)</u>	<u>(129,994)</u>	<u>171,000</u>	<u>-</u>	<u>-</u>
Change in fund balances	(447,858)	25,452	779	(73)	(421,700)
Fund balances beginning of year	<u>304,270</u>	<u>520,651</u>	<u>128,082</u>	<u>119,938</u>	<u>1,072,941</u>
Fund balances end of year	<u>\$ (143,588)</u>	<u>546,103</u>	<u>128,861</u>	<u>119,865</u>	<u>651,241</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST UNION COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2014

**Change in fund balances - total governmental funds(page 22)** \$ (421,700)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Expenditures for capital assets	\$ 36,011	
Depreciation expense	<u>(349,896)</u>	(313,885)

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. 281,992

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 4,014

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 5,464

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 fund.

Compensated absences	\$ (8,383)	
Other postemployment benefits	<u>13,282</u>	<u>4,899</u>

**Change in net position of governmental activities(page 19)** \$ (439,216)

SEE NOTES TO FINANCIAL STATEMENTS.

EAST UNION COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2014

	Business Type Activities: Nonmajor Enterprise Funds		
	School Nutrition	Early Childhood	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 55,597	40,517	96,114
Accounts receivable	-	1,268	1,268
Due from other governments	5,693	3,993	9,686
Inventories	9,997	-	9,997
<b>Total current assets</b>	<b>71,287</b>	<b>45,778</b>	<b>117,065</b>
Non-current assets:			
Capital assets, net of accumulated depreciation	36,477	-	36,477
<b>Total assets</b>	<b>107,764</b>	<b>45,778</b>	<b>153,542</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	5,708	302	6,010
Salaries and benefits payable	1,588	3,204	4,792
Unearned revenue	5,298	-	5,298
<b>Total current liabilities</b>	<b>12,594</b>	<b>3,506</b>	<b>16,100</b>
Non-current liabilities:			
Compensated absences	620	-	620
Net OPEB liability	48	60	108
<b>Total non-current liabilities</b>	<b>668</b>	<b>60</b>	<b>728</b>
<b>Total liabilities</b>	<b>13,262</b>	<b>3,566</b>	<b>16,828</b>
<b>Net Position</b>			
Net investment in capital assets	36,477	-	36,477
Unrestricted	58,025	42,212	100,237
<b>Total net position</b>	<b>\$ 94,502</b>	<b>42,212</b>	<b>136,714</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST UNION COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Business Type Activities:		
	Nonmajor Enterprise Funds		
	School Nutrition	Early Childhood	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 116,861	92,834	209,695
Donations	-	367	367
Miscellaneous	1,539	-	1,539
Total operating revenues	<u>118,400</u>	<u>93,201</u>	<u>211,601</u>
Operating expenses:			
Support services:			
Administration:			
Salaries	-	61,182	61,182
Benefits	-	23,666	23,666
Other	250	-	250
Operation and maintenance of plant:			
Services	537	-	537
	<u>787</u>	<u>84,848</u>	<u>85,635</u>
Non-instructional programs:			
Food service operations:			
Salaries	107,224	-	107,224
Benefits	22,954	-	22,954
Supplies	145,792	-	145,792
Other	595	-	595
Depreciation	6,208	-	6,208
Other enterprise operations:			
Salaries	-	63,483	63,483
Benefits	-	10,276	10,276
Services	-	1,638	1,638
Supplies	-	56,558	56,558
	<u>282,773</u>	<u>131,955</u>	<u>414,728</u>
Total operating expenses	<u>283,560</u>	<u>216,803</u>	<u>500,363</u>
Operating loss	(165,160)	(123,602)	(288,762)
Non-operating revenues:			
Interest income	12	-	12
Intermediate sources	-	29,408	29,408
State sources	2,712	27,532	30,244
Federal sources	187,841	32,653	220,494
Total non-operating revenues	<u>190,565</u>	<u>89,593</u>	<u>280,158</u>
Change in net position	25,405	(34,009)	(8,604)
Net position beginning of year	<u>69,097</u>	<u>76,221</u>	<u>145,318</u>
Net position end of year	<u>\$ 94,502</u>	<u>42,212</u>	<u>136,714</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST UNION COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Business Type Activities:		
	Nonmajor Enterprise Funds		
	School Nutrition	Early Childhood	Total
Cash flows from operating activities:			
Cash received from operating activities*	\$ 119,824	94,566	214,390
Cash received from donations	-	367	367
Cash received from miscellaneous	1,539	-	1,539
Cash payments to employees for services	(132,728)	(165,021)	(297,749)
Cash payments to suppliers for goods or services	(135,856)	(61,293)	(197,149)
Net cash used by operating activities	(147,221)	(131,381)	(278,602)
Cash flows from non-capital financing activities:			
Intermediate sources received	-	30,368	30,368
State grants received	2,712	27,532	30,244
Federal grants received	164,581	28,911	193,492
Net cash provided by non-capital financing activities	167,293	86,811	254,104
Cash flows from capital financing activities:			
Principal paid on vending machine loan	(1,088)	-	(1,088)
Cash flows from investing activities:			
Interest on investments	12	-	12
Net increase(decrease) in cash and cash equivalents	18,996	(44,570)	(25,574)
Cash and cash equivalents beginning of year	36,601	85,087	121,688
Cash and cash equivalents end of year	\$ 55,597	40,517	96,114
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (165,160)	(123,602)	(288,762)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	17,567	-	17,567
Depreciation	6,208	-	6,208
Increase in inventories	(5,583)	-	(5,583)
Decrease in accounts receivable	526	1,732	2,258
Decrease in accounts payable	(666)	(3,097)	(3,763)
Decrease in salaries and benefits payable	(2,909)	(6,088)	(8,997)
Increase in unearned revenue	2,437	-	2,437
Increase in accrued compensated absences	620	-	620
Decrease in other postemployment benefits	(261)	(326)	(587)
Net cash used by operating activities	\$ (147,221)	(131,381)	(278,602)

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2014, the District received \$17,567 of federal commodities.

\* Cash received from operating activities is comprised of cash received from the sale of lunches and breakfasts in the School Nutrition Fund and fees charged by the District to users of the District provided daycare program.

SEE NOTES TO FINANCIAL STATEMENTS.

EAST UNION COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 1. Summary of Significant Accounting Policies**

The East Union Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Afton, Iowa, and the predominate agricultural territory in Union, Madison, Ringgold, and Clarke 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, East Union Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The East Union 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 Union, Madison, Ringgold, and Clarke County 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 inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use is either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 Projects 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 Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's long-term debt.

The District's non-major proprietary funds are the Enterprise, School Nutrition Fund and the Enterprise, Early Childhood Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Early Childhood Fund is used to account for the District's programs for two and three year old children that are not able to be funded with state categorical funding but rather by tuition paid by parents and county empowerment grants.

### C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary 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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - 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, Deferred Inflows of Resources 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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, intangibles and machinery and equipment, 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	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Intangibles	25,000
Machinery and equipment:	
Other machinery and equipment	1,500

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
Improvements other than buildings	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

Deferred Inflows of Resources - 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 inflows of resources 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 inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

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

Unearned Revenue - 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. A liability for these amounts is reported governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. 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 other spendable classifications.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instruction and non-instructional programs functional areas.

#### Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2014 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$193,998 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were both rated AAA by Standard & Poor's Financial Services.

**Note 3. Capital Assets**

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 14,205	-	-	14,205
Total capital assets not being depreciated	14,205	-	-	14,205
Capital assets being depreciated:				
Buildings	10,239,438	-	22,829	10,216,609
Land improvements	503,127	-	-	503,127
Machinery and equipment	1,277,500	36,011	-	1,313,511
Total capital assets being depreciated	12,020,065	36,011	22,829	12,033,247
Less accumulated depreciation for:				
Buildings	1,620,191	234,442	22,829	1,831,804
Land improvements	155,566	21,432	-	176,998
Machinery and equipment	1,022,449	94,022	-	1,116,471
Total accumulated depreciation	2,798,206	349,896	22,829	3,125,273
Total capital assets being depreciated, net	9,221,859	(313,885)	-	8,907,974
Governmental activities capital assets, net	\$ 9,236,064	(313,885)	-	8,922,179
<b>Business type activities:</b>				
Machinery and equipment	\$ 96,568	-	-	96,568
Less accumulated depreciation	53,883	6,208	-	60,091
Business type activities capital assets, net	\$ 42,685	(6,208)	-	36,477

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 17,781
Instructional staff	10,051
Operation and maintenance of plant	4,704
Transportation	61,486
	94,022
Unallocated depreciation	255,874
Total governmental activities depreciation expense	\$ 349,896
Business type activities:	
Food service operations	\$ 6,208

**Note 4. Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 3,665,000	-	145,000	3,520,000	150,000
Revenue bonds	1,150,000	-	50,000	1,100,000	50,000
Computer lease	48,344	-	48,344	-	-
Bus loans	97,745	-	38,648	59,097	38,757
Compensated absences	1,217	9,600	1,217	9,600	-
Net OPEB liability	15,737	-	13,282	2,455	-
Total	\$ 4,978,043	9,600	296,491	4,691,152	238,757
<b>Business type activities:</b>					
Compensated absences	\$ -	620	-	620	-
Net OPEB liability	695	-	587	108	-
Vending machine loan	1,088	-	1,088	-	-
Total	\$ 1,783	620	1,675	728	-

General Obligation Bonds Payable

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue May 1, 2010				
	Interest Rate		Principal	Interest	Total
2015	4.00	% \$	150,000	149,623	299,623
2016	4.00		160,000	143,622	303,622
2017	4.00		165,000	137,223	302,223
2018	4.00		175,000	130,622	305,622
2019	4.00		185,000	123,623	308,623
2020-2024	4.00-4.10		1,050,000	501,112	1,551,112
2025-2029	4.15-4.75		1,330,000	260,498	1,590,498
2030	4.75		305,000	14,487	319,487
Total			\$ 3,520,000	1,460,810	4,980,810

Revenue Bonds Payable

Details of the District's June 30, 2014 revenue bonds indebtedness is as follows:

Year Ending June 30,	Bond issue February 25, 2010				
	Interest Rates		Principal	Interest	Total
2015	2.00	% \$	50,000	45,150	95,150
2016	2.00		50,000	44,150	94,150
2017	3.00		50,000	42,900	92,900
2018	3.00		50,000	41,400	91,400
2019	3.25		50,000	39,837	89,837
2020-2024	3.50-4.20		350,000	167,000	517,000
2025-2029	4.30-4.70		500,000	80,463	580,463
2030	4.70-4.75		-	2,375	2,375
Total			\$ 1,100,000	463,275	1,563,275

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,200,000 issued on February 25, 2010. The 2010 bonds were issued for the purpose of construction of a new elementary building. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 22% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,563,275. For the current year, principal and interest was paid on the bonds of \$96,150, and the statewide sales, services and use tax revenue was \$425,921.

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

- a) \$119,017 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

**Bus Loans Payable**

During the year ended June 30, 2012, the District entered into two contracts for school buses. Details of the obligations, which is payable from the Capital Projects Fund: Physical Plant and Equipment Levy Fund are as follows:

Year Ending June 30,	Loan issue August 26, 2011			Loan issue April 10, 2012			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2015	2.70 %	\$ 18,951	516	2.70 %	\$ 19,806	1,100	38,757	1,100	39,857
2016		-	-	2.00	20,340	1,164	20,340	1,164	21,504
Total		<u>\$ 18,951</u>	<u>516</u>		<u>\$ 40,146</u>	<u>2,264</u>	<u>59,097</u>	<u>2,264</u>	<u>61,361</u>

**Note 5. Transfers**

The detail of transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 41,006
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	105,642
Debt Service	Capital Projects: Physical Plant and Equipment Levy	24,352
Total		<u>\$ 171,000</u>

The transfer from the General Fund to the Debt Service Fund was needed for principal and interest payments on the District's computer lease indebtedness.

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

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for principal and interest payments on the District's bus loan indebtedness.

#### **Note 6. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$311,246, \$280,878, and \$246,435, respectively, equal to the required contributions for each year.

#### **Note 7. Risk Management**

The 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.

#### **Note 8. Other Postemployment Benefits (OPEB)**

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 94 active and 5 retired members in the plan. Retirees must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 9,000
Interest on net OPEB obligation	740
Adjustment to annual required contribution	(609)
Annual OPEB cost	<u>9,131</u>
Contributions made	(23,000)
Increase in net OPEB obligation	<u>(13,869)</u>
Net OPEB obligation beginning of year	16,432
Net OPEB obligation end of year	<u><u>\$ 2,563</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, 2014.

For the year ended June 30, 2014, the District contributed \$23,000 to the medical plan. Plan members eligible for benefits contributed \$21,000, or 47.72% 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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 30,112	76.4%	\$ 28,165
2013	9,267	226.6%	16,432
2014	9,131	251.9%	2,563

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$135,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$135,000. The covered payroll (annual payroll of active employees covered by the plan) was \$2,549,944 and the ratio of the UAAL to covered payroll was 5.29%.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about the probability of occurrence of events 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$842 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$192,256 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 10. Categorical Funding**

The District’s restricted fund balances for categorical funding at June 30, 2014 is comprised of the following programs:

Project	Amount
Limited english proficient	\$ 6,498
Beginning teacher mentoring and induction program	24
Teacher salary supplement	25,563
Four-year old preschool state aid	54,885
Successful progression for early readers	15,684
Market factor incentives	310
Teacher leadership grants	2,044
Total	<u>\$ 105,008</u>

**Note 11. Detailed Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Invested in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	128,861	(249,072)
Capital assets, net of accumulated debt	8,922,179	-	-
General obligation bond capitalized indebtedness	(3,520,000)	-	-
Revenue bond capitalized indebtedness	(1,100,000)	-	-
Bus loan capitalized indebtedness	(59,097)	-	-
Accrued interest payable	-	(25,902)	-
Income surtax	-	-	212,225
Compensated absences	-	-	(9,600)
Net OPEB liability	-	-	(2,455)
Net position (Exhibit A)	<u>\$ 4,243,082</u>	<u>102,959</u>	<u>(48,902)</u>

**Note 12. Budget Overexpenditure**

During the year ended June 30, 2014, the District’s expenditures in the instruction and non-instructional programs functional areas exceeded the amounts budgeted.

**Note 13. Deficit Unassigned Fund Balance**

At June 30, 2014, the District had one negative account in the Special Revenue: Student Activity Fund with a deficit unassigned fund balance of \$476. The District's General Fund had a deficit unassigned fund balance of \$248,596 and a deficit total fund balance of \$143,588. The District also had deficit unrestricted net position of \$48,902 in the governmental activities at June 30, 2014.

**Note 14. Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosure required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

EAST UNION COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 2,990,173	211,613	3,201,786	3,656,143	3,656,143	(454,357)
Intermediate sources	-	29,408	29,408	-	-	29,408
State sources	3,229,379	30,244	3,259,623	2,809,537	2,809,537	450,086
Federal sources	211,209	220,494	431,703	385,000	385,000	46,703
Total revenues	6,430,761	491,759	6,922,520	6,850,680	6,850,680	71,840
Expenditures/Expenses:						
Instruction	4,081,094	-	4,081,094	3,885,000	3,885,000	(196,094)
Support services	1,882,324	85,635	1,967,959	1,911,000	2,041,670	73,711
Non-instructional programs	696,787	414,728	1,111,515	294,069	510,000	(601,515)
Other expenditures	192,256	-	192,256	1,477,766	1,477,766	1,285,510
Total expenditures/expenses	6,852,461	500,363	7,352,824	7,567,835	7,914,436	561,612
Excess(Deficiency) of revenues over(under) expenditures/expenses	(421,700)	(8,604)	(430,304)	(717,155)	(1,063,756)	633,452
Other financing sources, net	-	-	-	191,385	191,385	(191,385)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(421,700)	(8,604)	(430,304)	(525,770)	(872,371)	442,067
Balances beginning of year	1,072,941	145,318	1,218,259	1,273,366	1,273,366	(55,107)
Balances end of year	\$ 651,241	136,714	787,955	747,596	400,995	386,960

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST UNION COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budget expenditures by \$346,601.

During the year ended June 30, 2014, expenditures in the instruction and non-instructional programs functional areas exceeded the amount budgeted.

EAST UNION 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	-	\$ 252,000	252,000	0.0%	\$ 2,280,700	11.05%
2011	July 1, 2009	-	252,000	252,000	0.0%	2,385,139	10.57%
2012	July 1, 2009	-	252,000	252,000	0.0%	2,249,296	11.20%
2013	July 1, 2012	-	135,000	135,000	0.0%	2,530,355	5.34%
2014	July 1, 2012	-	135,000	135,000	0.0%	2,549,944	5.29%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

EAST UNION COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2014

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 23,937	105,500	129,437
Receivables:			
Property tax:			
Delinquent	2,105	-	2,105
Succeeding year	140,000	-	140,000
<b>Total assets</b>	<b>\$ 166,042</b>	<b>105,500</b>	<b>271,542</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 53	10,853	10,906
Salaries and benefits payable	-	771	771
Total liabilities	53	11,624	11,677
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	140,000	-	140,000
Fund balances:			
Restricted for:			
Management levy purposes	25,989	-	25,989
Student activities	-	94,352	94,352
Unassigned	-	(476)	(476)
Total fund balances	25,989	93,876	119,865
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 166,042</b>	<b>105,500</b>	<b>271,542</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST UNION COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2014

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 139,967	-	139,967
Other	3,966	141,741	145,707
Total revenues	<u>143,933</u>	<u>141,741</u>	<u>285,674</u>
Expenditures:			
Current:			
Instruction:			
Regular	96,642	-	96,642
Other	-	154,764	154,764
Support services:			
Operation and maintenance of plant	27,103	-	27,103
Transportation	7,238	-	7,238
Total expenditures	<u>130,983</u>	<u>154,764</u>	<u>285,747</u>
Change in fund balances	12,950	(13,023)	(73)
Fund balances beginning of year	<u>13,039</u>	<u>106,899</u>	<u>119,938</u>
Fund balances end of year	<u>\$ 25,989</u>	<u>93,876</u>	<u>119,865</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST UNION COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2014

	Capital Projects			
	Statewide Sales, Services and Use Tax	Playground Project	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 382,012	22,653	134,787	539,452
Recivables:				
Property tax:				
Delinquent	-	-	704	704
Succeeding year	-	-	46,227	46,227
Due from other governments	74,232	-	-	74,232
<b>Total assets</b>	<b>\$ 456,244</b>	<b>22,653</b>	<b>181,718</b>	<b>660,615</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 48,565	19,720	-	68,285
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	46,227	46,227
Fund balances:				
Restricted for:				
School infrastructure	407,679	2,933	-	410,612
Physical plant and equipment levy	-	-	135,491	135,491
Total fund balances	407,679	2,933	135,491	546,103
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 456,244</b>	<b>22,653</b>	<b>181,718</b>	<b>660,615</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST UNION COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Playground Project	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	-	46,790	46,790
Other	86	5,091	2	5,179
State sources	425,921	-	-	425,921
Total revenues	426,007	5,091	46,792	477,890
Expenditures:				
Support services:				
Administration	97,587	-	-	97,587
Capital outlay	205,137	19,720	-	224,857
Total expenditures	302,724	19,720	-	322,444
Excess(Deficiency) of revenues over(under) expenditures	123,283	(14,629)	46,792	155,446
Other financing uses:				
Transfer out	(105,642)	-	(24,352)	(129,994)
Change in fund balances	17,641	(14,629)	22,440	25,452
Fund balances beginning of year	390,038	17,562	113,051	520,651
Fund balances end of year	\$ 407,679	2,933	135,491	546,103

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST UNION COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Boys basketball	\$ 2,580	741	1,654	1,667
Boys football	2,025	5,114	732	6,407
Boys baseball	808	-	78	730
Boys track	1,350	532	470	1,412
Boys wrestling	1,951	-	7	1,944
Girls basketball	4,846	2,755	1,614	5,987
Girls volleyball	1,778	3,045	3,113	1,710
Girls softball	1,935	1,231	902	2,264
Girls track	1,516	2,854	2,436	1,934
MS student council	4,965	477	497	4,945
Drama	2,141	990	1,127	2,004
Vocal music	3,352	4,620	2,004	5,968
Instrumental music	1,062	3,179	2,346	1,895
HS cross country	-	1,431	1,213	218
HS golf	1,574	-	-	1,574
Weight room	169	-	645	(476)
General athletics	54,639	65,696	85,241	35,094
Cheerleaders	255	3,748	3,537	466
Class of 2014	1,331	550	975	906
Class of 2015	884	12,731	10,456	3,159
Class of 2016	-	3,462	2,818	644
Concessions	1,098	-	321	777
FFA	2,175	17,791	17,325	2,641
FCCLA	1,482	4,662	5,145	999
Investments	7	2	-	9
Now account interest	22	13	30	5
National honor society	39	-	14	25
Science club	2,260	802	843	2,219
Spanish club	2,182	-	-	2,182
Student council	684	3,313	3,015	982
Vocational agriculture	155	-	-	155
Yearbook	7,634	2,002	6,206	3,430
Total	\$ 106,899	141,741	154,764	93,876

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 2,450,068	2,627,664	2,792,376	2,633,831	2,094,554	1,987,464	1,935,751	2,188,764	2,138,771	1,904,633
Tuition	241,550	264,161	150,328	95,132	117,889	128,785	94,981	64,103	60,448	45,634
Other	298,555	371,373	547,950	1,247,379	344,129	342,044	443,423	577,225	530,708	461,352
State sources	3,229,379	2,552,631	2,657,367	2,852,240	2,370,396	2,776,255	2,852,537	2,497,099	2,258,608	2,189,660
Federal sources	211,209	277,547	610,822	1,153,908	555,502	294,287	317,361	356,786	395,753	660,075
Total	\$ 6,430,761	6,093,376	6,758,843	7,982,490	5,482,470	5,528,835	5,644,053	5,683,977	5,384,288	5,261,354
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,375,462	2,388,648	2,300,559	2,004,332	1,897,660	2,420,010	2,188,154	1,957,053	1,861,322	1,694,655
Special	741,778	599,738	483,167	561,011	609,348	1,055,656	641,748	636,887	552,802	453,198
Other	963,854	907,251	852,918	910,718	1,089,427	346,367	750,655	733,997	793,753	1,063,047
Support services:										
Student	55,039	56,672	54,419	48,741	70,138	66,610	85,589	72,179	68,461	66,868
Instructional staff	224,742	347,827	292,037	385,617	139,091	257,576	156,977	213,212	163,014	99,174
Administration	765,613	660,975	665,182	573,761	606,330	533,499	513,764	435,934	431,359	386,224
Operation and maintenance of plant	483,712	480,367	426,108	385,107	379,495	396,027	455,939	371,620	355,242	331,774
Transportation	353,218	366,727	482,608	330,215	343,645	296,975	492,979	289,201	314,779	245,561
Capital outlays	224,857	87,132	3,134,662	4,061,215	351,138	271,535	552,245	153,407	206,641	480,552
Long-term debt:										
Principal	281,992	273,497	592,701	310,000	180,000	170,000	165,000	155,000	145,000	105,000
Interest	189,938	216,357	259,382	230,687	23,843	30,642	34,578	41,838	47,238	51,738
Other expenditures:										
AEA flow-through	192,256	181,667	184,489	209,828	202,854	185,155	178,972	163,035	153,606	153,203
Total	\$ 6,852,461	6,566,858	9,728,232	10,011,232	5,892,969	6,030,052	6,216,600	5,223,363	5,093,217	5,130,994

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 East Union Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Union Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 27, 2015.

**Internal Control Over Financial Reporting**

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

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-14 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.

**Compliance and Other Matters**

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

providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances on 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, 2014 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.

### **East Union Community School District's Responses to Findings**

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

### **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2015  
Newton, Iowa

EAST UNION COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

**Part I: Findings Related to the Financial Statements:**

INSTANCES OF NON-COMPLIANCE:

No matters were noted

INTERNAL CONTROL DEFICIENCY:

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - 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) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 5) 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 will review current procedures, investigate alternatives and implement if possible.

Conclusion - Response accepted.

EAST UNION COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

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

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the certified budgeted amounts in the instruction and non-instructional programs functional areas.

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

Response - The District will continue to watch the line items more closely and will amend the budget in a timely manner.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined by Attorney General's opinion dated April 25, 1979 were noted.

II-C-14 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-14 Business Transactions - No business transactions between the District and District officials were noted.

II-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students was overstated by 1.0.

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

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

Conclusion - Response accepted.

II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-14 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-14 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	390,038
Revenues:			
Sales tax revenues	\$	425,921	
Other local revenues		86	426,007
			<u>816,045</u>
Expenditures/transfer out:			
School infrastructure construction	\$	203,037	
Equipment		96,187	
Other		3,500	
Transfers to other funds:			
Debt service fund		105,642	408,366
			<u>408,366</u>
Ending Balance		\$	<u><u>407,679</u></u>

For the year ended June 30, 2014, 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-14 Checks Outstanding - We noted during our audit that the District had checks included in the District's bank reconciliation which have been outstanding for over a year. Chapter 556.1(10) and 556.11 of the Code of Iowa, require District's to report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>.

Recommendation - The District should research the outstanding checks to determine if they should be re-issued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - The District has researched all outstanding checks and determined if they should be re-issued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Conclusion - Response accepted.

II-N-14 Financial Condition - At June 30, 2014, the District had one negative account in the Special Revenue: Student Activity Fund with a deficit unassigned fund balance of \$476. The District's General Fund had a deficit unassigned fund balance of \$248,596 and a deficit total fund balance of \$143,588. The District also had deficit unrestricted net position of \$48,902 in the governmental activities at June 30, 2014.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficit accounts and fund balances.

Response - The District has eliminated the deficit in the Special Revenue, Student Activity Fund totaling \$476. The District will also continue to monitor the General Fund accounts and investigate alternatives to eliminate the deficit accounts and fund balances.

Conclusion - Response accepted.