

UNION COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Union Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Joe Connolly	President	2015
James Bronner	Vice President	2013
Cathy Niebergall	Board Member	2013
Dawn Jensen	Board Member	2015
Jim Barz	Board Member	2013
Bart Frush	Board Member	2013
Lisa Anton	Board Member	2013
(After September 2013 Election)		
Joe Connolly	President	2015
James Bronner	Vice-President	2017
Cathy Niebergall	Board Member	2015
Dawn Jensen	Board Member	2015
Kevin Sash	Board Member	2017
Brian Weber	Board Member	2017
Lisa Anton	Board Member	2015
School Officials		
Neil Mullen	Superintendent	2014
Kathy Krug	District Secretary/Treasurer and Business Manager	2014
Swisher & Cohrt P.L.C.	Attorney	2014

UNION COMMUNITY SCHOOL DISTRICT

Education to Meet Tomorrow's Challenges

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Union Community School District, La Porte City, Iowa, as of and for the year ended June 30, 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 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, the Schedule of Funding Progress for the Retiree Health Plan and the statements for the discretely presented component unit on pages 7 through 16 and 42 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2015 on our consideration of Union Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Union Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Union Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$12,010,402 in fiscal year 2013 to \$12,296,213 in fiscal year 2014, while General Fund expenditures increased from \$12,109,909 in fiscal year 2013 to \$12,276,618 in fiscal year 2014. The District's General Fund balance increased from \$1,515,427 at June 30, 2013 to \$1,535,022 at June 30, 2014, a 1.29% increase.
- The increase in General Fund revenues was attributable to a increase in local and state source revenues in fiscal year 2014. The increase in expenditures was due primarily to increased outflows in the support services functional area.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Union Community School District Annual Financial Report

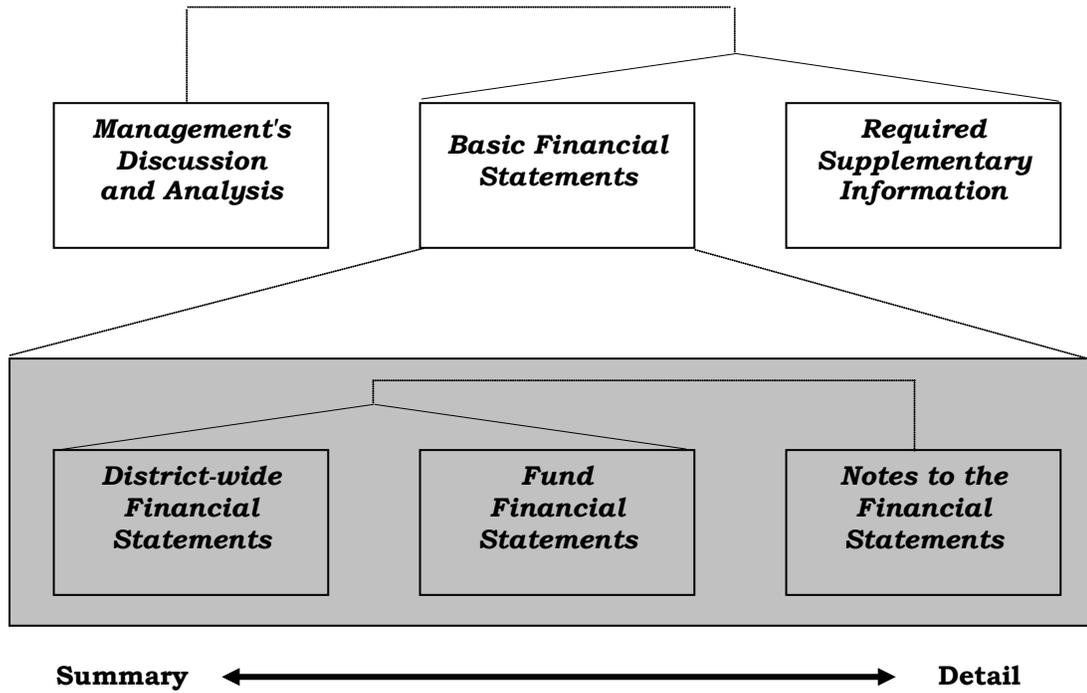


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, 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 three categories:

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.

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

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

Reconciliations between the government-wide financial statements and the 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 net position at June 30, 2014 compared to June 30, 2013.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 9,877,979	10,429,672	93,613	73,294	9,971,592	10,502,966	-5.06%
Capital assets	15,521,633	15,286,683	40,283	47,024	15,561,916	15,333,707	1.49%
Total assets	25,399,612	25,716,355	133,896	120,318	25,533,508	25,836,673	-1.17%
Long-term liabilities	8,185,652	8,661,554	1,101	986	8,186,753	8,662,540	-5.49%
Other liabilities	996,618	1,016,414	48,660	17,127	1,045,278	1,033,541	1.14%
Total liabilities	9,182,270	9,677,968	49,761	18,113	9,232,031	9,696,081	-4.79%
Deferred inflows of resources	4,547,433	4,591,420	-	-	4,547,433	4,591,420	-0.96%
Net position:							
Net investment in capital assets	7,356,633	6,706,683	40,283	47,024	7,396,916	6,753,707	9.52%
Restricted	2,616,425	3,077,253	-	-	2,616,425	3,077,253	-14.98%
Unrestricted	1,696,851	1,663,031	43,852	55,181	1,740,703	1,718,212	1.31%
Total net position	\$ 11,669,909	11,446,967	84,135	102,205	11,754,044	11,549,172	1.77%

The District's total net position increased 1.77%, or \$204,872 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$460,828, or 14.98% from the prior year. The decrease in restricted net position is primarily due to the decrease in the Capital Project: Statewide Sales, Services and Use Tax Fund balance as compared to the prior year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased by \$22,491 or 1.31% from the prior year. The increase in unrestricted net position was largely a result of the increase in the General Fund unassigned balance.

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

	Figure A-4 Change in 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	\$ 831,199	937,705	395,612	397,149	1,226,811	1,334,854	-8.09%
Operating grants, contributions and restricted interest	880,743	838,238	256,532	251,572	1,137,275	1,089,810	4.36%
Capital grants, contributions and restricted interest	10,000	4,950	-	-	10,000	4,950	102.02%
General revenues:							
Property tax	4,442,306	4,197,897	-	-	4,442,306	4,197,897	5.82%
Income surtax	706,809	549,730	-	-	706,809	549,730	28.57%
Statewide sales, services and use tax	1,060,395	1,059,767	-	-	1,060,395	1,059,767	0.06%
Unrestricted state grants	6,289,131	6,193,129	-	-	6,289,131	6,193,129	1.55%
Unrestricted interest revenue	5,461	6,660	29	69	5,490	6,729	-18.41%
Other general revenue	70,154	66,903	14,540	12,512	84,694	79,415	6.65%
Total revenues	<u>14,296,198</u>	<u>13,854,979</u>	<u>666,713</u>	<u>661,302</u>	<u>14,962,911</u>	<u>14,516,281</u>	<u>3.08%</u>
Program expenses:							
Instructional	8,460,842	8,661,776	-	-	8,460,842	8,661,776	-2.32%
Support services	4,280,968	3,819,311	12,827	21,399	4,293,795	3,840,710	11.80%
Non-instructional programs	571	2,600	671,956	703,757	672,527	706,357	-4.79%
Other expenses	1,330,875	1,328,286	-	-	1,330,875	1,328,286	0.19%
Total expenses	<u>14,073,256</u>	<u>13,811,973</u>	<u>684,783</u>	<u>725,156</u>	<u>14,758,039</u>	<u>14,537,129</u>	<u>1.52%</u>
Change in net position	222,942	43,006	(18,070)	(63,854)	204,872	(20,848)	-1082.69%
Net position beginning of year	<u>11,446,967</u>	<u>11,403,961</u>	<u>102,205</u>	<u>166,059</u>	<u>11,549,172</u>	<u>11,570,020</u>	<u>-0.18%</u>
Net position end of year	<u>\$ 11,669,909</u>	<u>11,446,967</u>	<u>84,135</u>	<u>102,205</u>	<u>11,754,044</u>	<u>11,549,172</u>	<u>1.77%</u>

In fiscal 2014, property tax and unrestricted state grants account for 75.06% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest account for 97.81% of business type activities revenue. The District's total revenues were \$14,962,911, of which \$14,296,198 was for governmental activities and \$666,713 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.08% increase in revenues and a 1.52% increase in expenditures. The increase in revenues is primarily due to an increase in unrestricted state grants and property tax revenues received while the increase in expenditures is due to an increase in support service expenditures incurred when compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$14,296,198 and expenses were \$14,073,256 for the year ended June 30, 2014.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 8,460,842	8,661,776	-2.32%	7,276,906	7,388,527	-1.51%
Support services	4,280,968	3,819,311	12.09%	4,249,691	3,806,145	11.65%
Non-instructional	571	2,600	-78.04%	571	2,600	-78.04%
Other expenses	1,330,875	1,328,286	0.19%	824,146	833,808	-1.16%
Totals	<u>\$ 14,073,256</u>	<u>13,811,973</u>	<u>1.89%</u>	<u>12,351,314</u>	<u>12,031,080</u>	<u>2.66%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$831,199.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$890,743.
- The net cost of governmental activities was financed with \$4,442,306 in property tax, \$706,809 in income surtax, \$1,060,395 in statewide sales, services and use tax, \$6,289,131 in unrestricted state grants, \$5,461 in interest income and \$70,154 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$666,713 and expenses were \$684,783 for the year ended June 30, 2014. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,801,850, below last year's ending fund balances of \$4,327,828. The primary

reason for the decrease in combined fund balances in fiscal year 2014 is the decrease in the Capital Projects Fund balance primarily due to an increase in capital outlay expenditures incurred compared as compared to the prior year associated with the District's construction projects.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Fund balance of the General Fund increased from \$1,515,427 at June 30, 2013 to \$1,535,022 at June 30, 2014. A contributing factor to this increase in ending fund balance was an increase in local tax and state revenues sources as compared to the prior year.
- The Capital Projects Fund balance decreased from \$1,268,682 at June 30, 2013 to \$660,150 at June 30, 2014. The decrease in fund balance can be attributed mostly to a significant increase in capital outlay in expenditures when compared to the prior year associated with the District's auditorium project.

Proprietary Funds Highlights

- The School Nutrition Fund net position decreased from \$102,205 at June 30, 2013 to \$84,135 at June 30, 2014, representing a decrease of 17.68%. Although total revenues increased and total expenditures decreased as compared to the prior year, total expenditures still outpaced total revenues ensuring a decrease in ending net position.

BUDGETARY HIGHLIGHTS

Over the course of the year, Union Community School District amended its budget one time to reflect expenditures anticipated at year end.

The District's revenues were \$124,728 less than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$15,561,916 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and construction in progress. (See Figure A-6) This represents a net increase of 1.49%. More detailed information about the District's capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$862,663.

The original cost of the District's capital assets was \$29,187,110. Governmental funds account for \$28,962,609 with the remainder of \$224,501 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$130,414 at June 30, 2013, compared to \$1,092,822 reported at June 30, 2014. The primary reason for this increase in construction in progress was due to continued work on the District's new auditorium during the year. This project will be capitalized as part of the District's capital asset listing upon completion.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 53,729	53,729	-	-	53,729	53,729	0.00%
Construction in progress	1,092,822	130,414	-	-	1,092,822	130,414	737.96%
Buildings	10,859,235	11,214,349	-	-	10,859,235	11,214,349	-3.17%
Land improvements	2,925,441	3,109,494	-	-	2,925,441	3,109,494	-5.92%
Machinery and equipment	590,406	778,697	40,283	47,024	630,689	825,721	-23.62%
Total	\$ 15,521,633	15,286,683	40,283	47,024	15,561,916	15,333,707	1.49%

Long-Term Debt

At June 30, 2014, the District had \$8,186,753 in total long-term debt outstanding. This represents a decrease of 5.49% from last year. (See Figure A-7) Additional information about the District's long-term liabilities is presented in Note 5 to the financial statements.

At June 30, 2014, the District had \$8,165,000 of outstanding revenue bonded indebtedness payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

At June 30, 2014, the District had a total net OPEB liability of \$21,753. \$20,652 of this total is attributable to the District's governmental activities while the remaining \$1,101 is attributed the District's business type activities.

Figure A-7
Outstanding Long-Term Obligations

	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
Revenue bonds	\$ 8,165,000	8,580,000	-	-	8,165,000	8,580,000	-4.84%
Termination benefits	-	63,064	-	-	-	63,064	-100.00%
Net OPEB liability	20,652	18,490	1,101	986	21,753	19,476	11.69%
Total	\$ 8,185,652	8,661,554	1,101	986	8,186,753	8,662,540	-5.49%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has been experiencing decline enrollment which adversely affects District funding.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Recent layoffs at the local John Deere plant are expected to have an adverse impact on the District's enrollment in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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

	Primary Government			Component Unit
	Govern- mental Activities	Business Type Activities	Total	Union Community School District Foundation
Assets				
Cash and pooled investments	\$ 4,129,182	79,783	4,208,965	203,654
Receivables:				
Property tax:				
Delinquent	53,822	-	53,822	-
Succeeding year	4,547,433	-	4,547,433	-
Income surtax	555,129	-	555,129	-
Accounts	24,650	1,890	26,540	-
Due from other governments	567,763	-	567,763	-
Inventories	-	11,940	11,940	-
Capital assets, net of accumulated depreciation	15,521,633	40,283	15,561,916	-
Total assets	25,399,612	133,896	25,533,508	203,654
Liabilities				
Accounts payable	230,266	36,509	266,775	-
Salaries and benefits payable	743,301	-	743,301	-
Accrued interest payable	23,051	-	23,051	-
Unearned revenue	-	12,151	12,151	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds payable	420,000	-	420,000	-
Portion due after one year:				
Revenue bonds payable	7,745,000	-	7,745,000	-
Net OPEB liability	20,652	1,101	21,753	-
Total liabilities	9,182,270	49,761	9,232,031	-
Deferred inflows of resources				
Unavailable property tax revenue	4,547,433	-	4,547,433	-
Net Position				
Net investment in capital assets	7,356,633	40,283	7,396,916	-
Restricted for:				
Categorical funding	372,648	-	372,648	-
Debt service	851,941	-	851,941	-
Management levy purposes	538,715	-	538,715	-
Student activities	158,120	-	158,120	-
Other special purposes	34,851	-	34,851	-
School infrastructure	489,540	-	489,540	-
Physical plant and equipment	170,610	-	170,610	-
Unrestricted	1,696,851	43,852	1,740,703	203,654
Total net position	\$ 11,669,909	84,135	11,754,044	203,654

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Net (Expense) Revenue and Changes in Net Position						Component Unit Union Community School District Foundation	
	Program Revenues			Primary Government				
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities		Total
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 5,243,243	223,697	55,784	-	(4,963,762)	-	(4,963,762)	-
Special	1,557,229	109,478	147,516	-	(1,300,235)	-	(1,300,235)	-
Other	1,660,370	498,024	149,437	-	(1,012,909)	-	(1,012,909)	-
	<u>8,460,842</u>	<u>831,199</u>	<u>352,737</u>	<u>-</u>	<u>(7,276,906)</u>	<u>-</u>	<u>(7,276,906)</u>	<u>-</u>
Support services:								
Student	349,560	-	-	-	(349,560)	-	(349,560)	-
Instructional staff	465,454	-	-	-	(465,454)	-	(465,454)	-
Administration	1,363,882	-	-	-	(1,363,882)	-	(1,363,882)	-
Operation and maintenance of plant	1,242,084	-	-	10,000	(1,232,084)	-	(1,232,084)	-
Transportation	859,988	-	21,277	-	(838,711)	-	(838,711)	-
	<u>4,280,968</u>	<u>-</u>	<u>21,277</u>	<u>10,000</u>	<u>(4,249,691)</u>	<u>-</u>	<u>(4,249,691)</u>	<u>-</u>
Non-instructional programs:								
Other enterprise operations	571	-	-	-	(571)	-	(571)	-
Long-term debt interest	284,979	-	-	-	(284,979)	-	(284,979)	-
Other expenditures:								
AEA flowthrough	506,729	-	506,729	-	-	-	-	-
Depreciation (unallocated)*	539,167	-	-	-	(539,167)	-	(539,167)	-
	<u>1,045,896</u>	<u>-</u>	<u>506,729</u>	<u>-</u>	<u>(539,167)</u>	<u>-</u>	<u>(539,167)</u>	<u>-</u>
Total governmental activities	14,073,256	831,199	880,743	10,000	(12,351,314)	-	(12,351,314)	-
Business type activities:								
Support services:								
Student	1,897	-	-	-	-	(1,897)	(1,897)	-
Administration	4,440	-	-	-	-	(4,440)	(4,440)	-
Operation and maintenance of plant	6,490	-	-	-	-	(6,490)	(6,490)	-
	<u>12,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,827)</u>	<u>(12,827)</u>	<u>-</u>
Non-instructional programs:								
Food service operations	671,956	395,612	256,532	-	-	(19,812)	(19,812)	-
Total business type activities	<u>684,783</u>	<u>395,612</u>	<u>256,532</u>	<u>-</u>	<u>-</u>	<u>(32,639)</u>	<u>(32,639)</u>	<u>-</u>
Total primary government	\$ 14,758,039	1,226,811	1,137,275	10,000	(12,351,314)	(32,639)	(12,383,953)	-
Total component unit	\$ 16,482	-	12,375	-				(4,107)
General Revenues:								
Local tax levied for:								
General purposes				\$ 4,319,126	-	4,319,126	-	-
Capital outlay				123,180	-	123,180	-	-
Income surtax				706,809	-	706,809	-	-
Statewide sales, services and use tax				1,060,395	-	1,060,395	-	-
Unrestricted state grants				6,289,131	-	6,289,131	-	-
Unrestricted investment earnings				5,461	29	5,490	5,217	-
Unrealized gain				-	-	-	-	21,569
Other				70,154	14,540	84,694	-	-
Total general revenues				<u>12,574,256</u>	<u>14,569</u>	<u>12,588,825</u>	<u>26,786</u>	<u>26,786</u>
Change in net position				222,942	(18,070)	204,872	22,679	22,679
Net position beginning of year				11,446,967	102,205	11,549,172	180,975	180,975
Net position end of year				<u>\$ 11,669,909</u>	<u>84,135</u>	<u>11,754,044</u>	<u>203,654</u>	<u>203,654</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 2,230,808	285,662	1,612,712	4,129,182
Receivables:				
Property tax:				
Delinquent	48,781	1,486	3,555	53,822
Succeeding year	4,129,855	126,453	291,125	4,547,433
Income surtax	555,129	-	-	555,129
Accounts	19,491	-	5,159	24,650
Due from other governments	194,761	373,002	-	567,763
Total assets	\$ 7,178,825	786,603	1,912,551	9,877,979
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 215,518	-	14,748	230,266
Salaries and benefits payable	743,301	-	-	743,301
Total liabilities	958,819	-	14,748	973,567
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	4,129,855	126,453	291,125	4,547,433
Income surtax	555,129	-	-	555,129
Total deferred inflows of resources	4,684,984	126,453	291,125	5,102,562
Fund balances:				
Restricted for:				
Categorical funding	372,648	-	-	372,648
Debt service	-	-	874,992	874,992
Management levy purposes	-	-	538,715	538,715
Student activities	-	-	158,120	158,120
Other special purposes	-	-	34,851	34,851
School infrastructure	-	489,540	-	489,540
Physical plant and equipment	-	170,610	-	170,610
Unassigned	1,162,374	-	-	1,162,374
Total fund balances	1,535,022	660,150	1,606,678	3,801,850
Total liabilities, deferred inflows of resources and fund balances	\$ 7,178,825	786,603	1,912,551	9,877,979

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 20)	\$	3,801,850
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		15,521,633
Accounts receivable income surtax is not yet available to finance expenditures of the current fiscal year and therefore, is shown as deferred inflows of resources in the governmental funds.		555,129
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(23,051)
Long-term liabilities, including revenue bonds payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(8,185,652)</u>
Net position of governmental activities (page 18)	\$	<u><u>11,669,909</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 4,694,918	123,180	293,379	5,111,477
Tuition	349,637	-	-	349,637
Other	154,385	10,511	476,159	641,055
State sources	6,810,005	1,060,459	151	7,870,615
Federal sources	285,776	-	-	285,776
Total revenues	<u>12,294,721</u>	<u>1,194,150</u>	<u>769,689</u>	<u>14,258,560</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,146,297	35,884	72,598	5,254,779
Special	1,557,072	-	-	1,557,072
Other	1,196,585	17,014	419,992	1,633,591
	<u>7,899,954</u>	<u>52,898</u>	<u>492,590</u>	<u>8,445,442</u>
Support services:				
Student	348,896	-	616	349,512
Instructional staff	452,395	4,819	6,008	463,222
Administration	1,327,633	5,621	23,091	1,356,345
Operation and maintenance of plant	1,009,744	10,402	165,876	1,186,022
Transportation	730,696	7,600	18,248	756,544
	<u>3,869,364</u>	<u>28,442</u>	<u>213,839</u>	<u>4,111,645</u>
Non-instructional programs:				
Other enterprise operations	571	-	-	571
Capital outlay	-	1,019,742	-	1,019,742
Long-term debt:				
Principal	-	-	415,000	415,000
Interest and fiscal charges	-	-	285,409	285,409
	<u>-</u>	<u>-</u>	<u>700,409</u>	<u>700,409</u>
Other expenditures:				
AEA flowthrough	506,729	-	-	506,729
Total expenditures	<u>12,276,618</u>	<u>1,101,082</u>	<u>1,406,838</u>	<u>14,784,538</u>
Excess(Deficiency) of revenues over(under) expenditures	18,103	93,068	(637,149)	(525,978)
Other financing sources(uses):				
Transfer in	1,492	10,000	711,600	723,092
Transfer out	-	(711,600)	(11,492)	(723,092)
Total other financing sources(uses)	<u>1,492</u>	<u>(701,600)</u>	<u>700,108</u>	<u>-</u>
Change in fund balances	19,595	(608,532)	62,959	(525,978)
Fund balances beginning of year	<u>1,515,427</u>	<u>1,268,682</u>	<u>1,543,719</u>	<u>4,327,828</u>
Fund balances end of year	<u>\$ 1,535,022</u>	<u>660,150</u>	<u>1,606,678</u>	<u>3,801,850</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds (page 22) \$ (525,978)

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

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

Capital outlay	\$ 1,088,384	
Depreciation expense	<u>(853,434)</u>	234,950

Income surtax account receivable is not available to finance expenditures of the current year, and is recognized as deferred inflows of resources in the governmental funds. 37,638

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Termination benefits	63,064	
Other postemployment benefits	<u>(2,162)</u>	60,902

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. 415,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 430

Change in net position of governmental activities (page 19) \$ 222,942

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
Assets	
Cash and pooled investments	\$ 79,783
Accounts receivable	1,890
Inventories	11,940
Capital assets, net of accumulated depreciation	40,283
Total assets	133,896
 Liabilities	
Accounts payable	36,509
Unearned revenue	12,151
Net OPEB liability	1,101
Total liabilities	49,761
 Net Position	
Net investment in capital assets	40,283
Unrestricted	43,852
Total net position	\$ 84,135

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 395,612
Miscellaneous	14,540
Total operating revenues	410,152
Operating expenses:	
Support services:	
Student:	
Services	1,897
Administration:	
Services	4,440
Operation and maintenance of plant:	
Services	6,490
	12,827
Non-instructional programs:	
Food service operations:	
Salaries	191,922
Benefits	107,530
Services	700
Supplies	361,845
Depreciation	9,229
Other	730
	671,956
Total operating expenses	684,783
Operating loss	(274,631)
Non-operating revenues:	
State sources	5,339
Federal sources	251,193
Interest income	29
Total non-operating revenues	256,561
Change in net position	(18,070)
Net position beginning of year	102,205
Net position end of year	\$ 84,135

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 395,932
Cash received from miscellaneous operating activities	14,540
Cash payments to employees for services	(299,337)
Cash payments to suppliers for goods or services	(295,066)
Net cash used by operating activities	(183,931)
Cash flows from non-capital financing activities:	
State grants received	5,339
Federal grants received	207,273
Net cash provided by non-capital financing activities	212,612
Cash flows from capital financing activities:	
Acquisition of capital assets	(2,488)
Cash flows from investing activities:	
Interest on investment	29
Net increase in cash and cash equivalents	26,222
Cash and cash equivalents beginning of year	53,561
Cash and cash equivalents end of year	\$ 79,783
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (274,631)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	43,920
Depreciation	9,229
Decrease in inventories	5,906
Increase in accounts receivable	(3)
Increase in accounts payable	31,210
Increase in unearned revenue	323
Increase in other postemployment benefits	115
Net cash used by operating activities	\$ (183,931)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$43,920 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 285,049	1,922
Liabilities		
Accounts payable	-	135
Due to other groups	-	1,787
Total liabilities	-	1,922
Net Position		
Restricted for scholarships	\$ 285,049	-

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 3,435
Interest income	1,123
Total additions	<u>4,558</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>5,425</u>
Change in net position	(867)
Net position beginning of year	<u>285,916</u>
Net position end of year	<u>\$ 285,049</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Tama, Black Hawk, Buchanan and Benton Counties Assessor's 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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following 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 are 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 clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances

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

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

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

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

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

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

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

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

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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.

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

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

Unassigned - All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amount budgeted in the other expenditures function.

(2) **Cash, Cash Equivalents and Pooled Investments**

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

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$51,475 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Iowa School Cash Anticipation Program (ISCAP)

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

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The Series 2013-2014 ONE included taxable warrants only. The interest rates on the Series 2013-2014 ONE warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 105 basis points. The LIBOR rate at June 30, 2014 was 0.1524%. During the year ended June 30, 2014, the District did not have any borrowings or repayments through ISCAP.

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Student Activity	\$ 1,492
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	711,600
Capital Projects: Statewide Sales, Services and Use Tax	Student Activity	10,000
Total		<u>\$ 723,092</u>

The transfer from the Student Activity Fund to the General Fund was needed to move fees incorrectly received into the Activity Fund which should have been received to the General Fund.

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

The transfer from the Student Activity Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund was needed to move donations received into the Student Activity Fund from prior years for the District’s auditorium project to the Capital Projects: Statewide Sales, Services and Use Tax Fund where it could be spent.

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 8,580,000	-	415,000	8,165,000	420,000
Termination benefits	63,064	-	63,064	-	-
Net OPEB liability	18,490	2,162	-	20,652	-
Total	<u>\$ 8,661,554</u>	<u>2,162</u>	<u>478,064</u>	<u>8,185,652</u>	<u>420,000</u>
Business type activities:					
Net OPEB liability	\$ 986	115	-	1,101	-

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated October 6, 2010			
	Interest Rates	Principal	Interest	Total
2015	2.000%	\$ 420,000	276,608	696,608
2016	3.000	430,000	268,209	698,209
2017	3.000	445,000	255,309	700,309
2018	3.000	460,000	241,959	701,959
2019	3.125	475,000	228,158	703,158
2020-2024	3.125-3.500	2,655,000	903,833	3,558,833
2025-2029	3.625-4.000	3,280,000	394,912	3,674,912
Total		<u>\$ 8,165,000</u>	<u>2,568,988</u>	<u>10,733,988</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$9,900,000 of bonds issued October 2010. The bonds were issued for the purpose of repaying \$8,800,000 of revenue bond anticipation notes issued during fiscal year 2010 and to finance a portion of the costs for various construction projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 66% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$10,733,988. For the current year, principal of \$415,000 and interest of \$284,909 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,060,395.

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

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

Termination Benefits

The District offered a voluntary early retirement plan to its certified employees and support staff during fiscal year 2014, however no District employee elected to take the early retirement incentive offered. Eligible employees must have been at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees completed an application which was required to be approved by the Board of Education. The early retirement incentive for each eligible employee is 55% of current year's salary, exclusive of supplemental pay, extended contract pay, or overtime.

As of June 30, 2014, the District has no outstanding early retirement obligations. Actual early retirement benefits paid during the year ended June 30, 2014, totaled \$63,064.

(6) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 53,729	-	-	53,729
Construction in progress	130,414	962,408	-	1,092,822
Total capital assets not being depreciated	184,143	962,408	-	1,146,551
Capital assets being depreciated:				
Buildings	17,110,385	-	-	17,110,385
Land improvements	4,836,547	-	-	4,836,547
Machinery and equipment	5,761,484	125,976	18,334	5,869,126
Total capital assets being depreciated	27,708,416	125,976	18,334	27,816,058
Less accumulated depreciation for:				
Buildings	5,896,036	355,114	-	6,251,150
Land improvements	1,727,053	184,053	-	1,911,106
Machinery and equipment	4,982,787	314,267	18,334	5,278,720
Total accumulated depreciation	12,605,876	853,434	18,334	13,440,976
Total capital assets being depreciated, net	15,102,540	(727,458)	-	14,375,082
Governmental activities capital assets, net	\$ 15,286,683	234,950	-	15,521,633
Business type activities:				
Machinery and equipment	\$ 222,013	2,488	-	224,501
Less accumulated depreciation	174,989	9,229	-	184,218
Business type activities capital assets, net	\$ 47,024	(6,741)	-	40,283

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 116,774
Other	64,476
Support services:	
Instructional staff	9,772
Administration	7,216
Operation and maintenance of plant	12,614
Transportation	103,415
	314,267
Unallocated depreciation	539,167
Total governmental activities depreciation expense	\$ 853,434
Business type activities:	
Food service operations	\$ 9,229

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% 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 \$620,505, \$582,199 and \$456,927 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 139 active and 12 retired members in the plan. Retired participants must be age 55 or older at age of retirement.

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

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

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

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

Annual required contribution	\$	13,689
Interest on net OPEB obligation		195
Adjustment to annual required contribution		(751)
Annual OPEB cost		<u>13,133</u>
Contributions made		<u>(10,856)</u>
Increase in net OPEB obligation		2,277
Net OPEB obligation beginning of year		<u>19,476</u>
Net OPEB obligation end of year	\$	<u><u>21,753</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.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 13,338	63.23%	\$ 13,694
2013	13,298	56.52	19,476
2014	13,133	82.66	21,753

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 \$148,665, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$148,665. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,819,129 and the ratio of the UAAL to covered payroll was 2.55%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the Projected Unit Cost actuarial method was used. The actuarial assumptions include a 1.0% discount rate based on the District's funding policy. The projected annual medical trend rate started at 8%. The medical trend rate is reduced 1% each year until reaching the 3% ultimate trend rate.

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

Projected claim costs of the medical plan are \$697 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$506,729 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(11) Construction Commitment

The District has entered into contracts for the Auditorium project and other miscellaneous improvement projects. As of June 30, 2014, costs of \$1,092,822 had been incurred against the contracts. The balance remaining on the projects at June 30, 2014 will be paid as work on the projects progresses. The total cost of the projects will be added to the District’s capital asset listing upon completion.

(12) Categorical Funding

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

Program	Amount
Weighted limited english proficient	\$ 13,153
Home school assistance program	606
Weighted at-risk programs	23,396
Gifted and talented programs	17,391
Returning dropout and dropout prevention	196,500
Teacher salary supplement	10,278
Successful progression for early readers	15,787
Professional development for model core curriculum	67,085
Professional development	22,725
Market factor incentives	4,149
Teacher leadership grants	1,578
Total	<u>\$ 372,648</u>

(13) Reconciliation of Governmental Fund Balances to Net Position

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

	Invested in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	874,992	1,162,374
Invested in capital assets, net of accumulated depreciation	15,521,633	-	-
Revenue bond capitalized indebtedness	(8,165,000)	-	-
Accrued interest payable	-	(23,051)	-
Income surtax receivable	-	-	555,129
Net OPEB liability	-	-	(20,652)
Net position (Exhibit A)	<u>\$ 7,356,633</u>	<u>851,941</u>	<u>1,696,851</u>

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68 Accounting and Financial Reporting for Pensions - an Amendment to 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 disclosures and 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.

UNION COMMUNITY SCHOOL DISTRICT

Education to Meet Tomorrow's Challenges

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 6,102,169	410,181	6,512,350	7,797,740	7,797,740	(1,285,390)
State sources	7,870,615	5,339	7,875,954	6,701,686	6,701,686	1,174,268
Federal sources	285,776	251,193	536,969	550,575	550,575	(13,606)
Total revenues	14,258,560	666,713	14,925,273	15,050,001	15,050,001	(124,728)
Expenditures/Expenses:						
Instruction	8,445,442	-	8,445,442	9,199,669	9,199,669	754,227
Support services	4,111,645	12,827	4,124,472	4,182,432	4,382,432	257,960
Non-instructional programs	571	671,956	672,527	756,585	3,030,606	2,358,079
Other expenditures	2,226,880	-	2,226,880	2,019,006	2,019,006	(207,874)
Total expenditures/expenses	14,784,538	684,783	15,469,321	16,157,692	18,631,713	3,162,392
Excess(Deficiency) of revenues over(under) expenditures/expenses	(525,978)	(18,070)	(544,048)	(1,107,691)	(3,581,712)	3,037,664
Balances beginning of year	4,327,828	102,205	4,430,033	4,176,812	4,176,812	253,221
Balances end of year	\$ 3,801,850	84,135	3,885,985	3,069,121	595,100	3,290,885

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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 budgeted expenditures by \$2,474,021.

During the year ended June 30, 2014, expenditures in the other instruction function exceeded the amount budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 129,719	129,719	0.00%	\$ 4,846,488	2.68%
2011	July 1, 2009	-	129,719	129,719	0.00	4,877,092	2.66
2012	July 1, 2009	-	129,719	129,719	0.00	4,786,465	2.71
2013	July 1, 2012	-	148,665	148,665	0.00	5,595,219	2.66
2014	July 1, 2012	-	148,665	148,665	0.00	5,819,129	2.55

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND
NET POSITION - CASH BASIS
COMPONENT UNIT
JUNE 30, 2014

	Union Community School District Foundation
Assets	
Cash and pooled investments	\$ 203,654
Liabilities	-
Net Position	
Unrestricted	\$ 203,654

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - CASH BASIS
COMPONENT UNIT
YEAR ENDED JUNE 30, 2014

	Union Community School District Foundation
Revenues:	
Contributions	\$ 12,375
Expenses:	
Tuition payments/Scholarships	14,050
Administrative services	2,432
Total expenses	16,482
Operating income	(4,107)
Non-operating revenues:	
Unrealized gain	21,569
Interest income	5,217
Total non-operating revenues	26,786
Change in net position	22,679
Net position beginning of year	180,975
Net position end of year	\$ 203,654

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Special Revenue				Debt Service	Total Nonmajor Governmental Funds
	Student Activity	Manage- ment Levy	Support Trust	Total		
Assets						
Cash and pooled investments	\$ 167,135	535,160	35,425	737,720	874,992	1,612,712
Receivables:						
Property tax:						
Delinquent	-	3,555	-	3,555	-	3,555
Succeeding year	-	291,125	-	291,125	-	291,125
Accounts	5,159	-	-	5,159	-	5,159
Total assets	\$ 172,294	829,840	35,425	1,037,559	874,992	1,912,551
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 14,174	-	574	14,748	-	14,748
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	-	291,125	-	291,125	-	291,125
Fund Balances:						
Restricted for:						
Debt service	-	-	-	-	874,992	874,992
Management levy purposes	-	538,715	-	538,715	-	538,715
Student activities	158,120	-	-	158,120	-	158,120
Other special purposes	-	-	34,851	34,851	-	34,851
Total fund balances	158,120	538,715	34,851	731,686	874,992	1,606,678
Total liabilities, deferred inflows of resources and fund balances	\$ 172,294	829,840	35,425	1,037,559	874,992	1,912,551

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue				Debt Service	Total Nonmajor Governmental Funds
	Student Activity	Manage- ment Levy	Support Trust	Total		
Revenues:						
Local sources:						
Local tax	\$ -	293,379	-	293,379	-	293,379
Other	447,026	7,750	20,011	474,787	1,372	476,159
State sources	-	151	-	151	-	151
Total revenues	447,026	301,280	20,011	768,317	1,372	769,689
Expenditures:						
Current:						
Instruction:						
Regular	-	63,064	9,534	72,598	-	72,598
Other	419,992	-	-	419,992	-	419,992
Support services:						
Student	616	-	-	616	-	616
Instructional staff	1,799	-	4,209	6,008	-	6,008
Administration	22,091	1,000	-	23,091	-	23,091
Operation and maintenance of plant	11,430	154,053	393	165,876	-	165,876
Transportation	-	18,248	-	18,248	-	18,248
Long-term debt:						
Principal	-	-	-	-	415,000	415,000
Interest and fiscal charges	-	-	-	-	285,409	285,409
Total expenditures	455,928	236,365	14,136	706,429	700,409	1,406,838
Excess(Deficiency) of revenues over(under) expenditures	(8,902)	64,915	5,875	61,888	(699,037)	(637,149)
Other financing sources(uses):						
Transfer in	-	-	-	-	711,600	711,600
Transfer out	(11,492)	-	-	(11,492)	-	(11,492)
Total other financing sources(uses)	(11,492)	-	-	(11,492)	711,600	700,108
Change in fund balances	(20,394)	64,915	5,875	50,396	12,563	62,959
Fund balances beginning of year	178,514	473,800	28,976	681,290	862,429	1,543,719
Fund balances end of year	\$ 158,120	538,715	34,851	731,686	874,992	1,606,678

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 116,538	169,124	285,662
Receivables:			
Property tax:			
Delinquent	-	1,486	1,486
Succeeding year	-	126,453	126,453
Due from other governments	373,002	-	373,002
Total assets	\$ 489,540	297,063	786,603
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:	\$ -	-	-
Accounts payable			
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	126,453	126,453
Fund balances:			
Restricted for:			
School infrastructure	489,540	-	489,540
Physical plant and equipment	-	170,610	170,610
Total fund balances	489,540	170,610	660,150
Total liabilities, deferred inflows of resources and fund balances	\$ 489,540	297,063	786,603

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	123,180	123,180
Other	10,384	127	10,511
State sources	1,060,395	64	1,060,459
Total revenues	<u>1,070,779</u>	<u>123,371</u>	<u>1,194,150</u>
Expenditures:			
Current:			
Instruction:			
Regular	26,170	9,714	35,884
Other	-	17,014	17,014
Support services:			
Instructional staff	-	4,819	4,819
Administration	-	5,621	5,621
Operation and maintenance of plant	-	10,402	10,402
Transportation	-	7,600	7,600
Capital outlay	1,005,736	14,006	1,019,742
Total expenditures	<u>1,031,906</u>	<u>69,176</u>	<u>1,101,082</u>
Excess of revenues over expenditures	38,873	54,195	93,068
Other financing sources(uses):			
Transfer in	10,000	-	10,000
Transfer out	(711,600)	-	(711,600)
Total other financing sources(uses)	<u>(701,600)</u>	<u>-</u>	<u>(701,600)</u>
Change in fund balances	(662,727)	54,195	(608,532)
Fund balances beginning year	<u>1,152,267</u>	<u>116,415</u>	<u>1,268,682</u>
Fund balances end of year	<u>\$ 489,540</u>	<u>170,610</u>	<u>660,150</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Transfers	Balance End of Year
Drama	\$ 12,391	8,550	8,005	(6,000)	6,936
Speech	8,437	8,121	4,252	(4,000)	8,306
Middle School Music	25	-	-	-	25
Choir	4,455	11,160	11,649	(1,492)	2,474
Choir Robes	8,566	800	1,350	-	8,016
High School Band	1,421	18,215	17,191	-	2,445
Band Uniforms Fees	4,658	952	-	-	5,610
Middle School Band	1	-	-	-	1
Student Activity	-	190	190	-	-
Activity Tickets	-	39	39	-	-
Memory Book	3,159	3,218	3,226	-	3,151
Cross Country	-	1,066	1,066	-	-
High School Boys Basketball	4,903	6,160	6,343	-	4,720
Middle School Boys Basketball	-	845	845	-	-
High School Football	2,290	29,803	26,039	-	6,054
Middle School Football	-	6,630	6,630	-	-
High School Baseball	4,825	6,945	5,363	-	6,407
Middle School Baseball	-	280	280	-	-
High School Boys Track	780	1,929	2,709	-	-
Middle School Boys Track	572	354	639	-	287
Boys Tennis	-	129	129	-	-
Boys Golf	-	1,173	1,173	-	-
High School Wrestling	275	9,008	8,723	-	560
Middle School Wrestling	-	286	286	-	-
High School Girls Basketball	4,104	6,109	5,828	-	4,385
Middle School Girls Basketball	-	705	705	-	-
High School Volleyball	-	6,114	5,173	-	941
Middle School Volleyball	-	420	420	-	-
Girls Soccer	4,207	15,205	14,054	-	5,358
High School Softball	2,882	4,504	5,424	-	1,962
Middle School Softball	-	845	845	-	-
High School Girls Track	2,868	3,369	5,303	-	934
Middle School Girls Track	435	281	716	-	-
Girls Tennis	-	130	130	-	-
Girls Golf	-	885	885	-	-
High School General Athletics	-	4,274	4,274	-	-
Middle School General Athletics	-	6,413	6,413	-	-
Booster Club	16,006	41,112	44,528	-	12,590
Annuals-prior years	3,176	46	506	-	2,716
Annual 2013	12,732	712	13,444	-	-

SEE ACCOMPANYING INDEPENDENT AUDITOR REPORT.

Schedule 5

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Transfers	Balance End of Year
High School Concessions	10,478	61,786	63,243	-	9,021
Middle School Concessions	6,879	9,544	12,761	-	3,662
Union After Prom	2,931	20,061	18,761	-	4,231
FFA	12,067	24,188	33,269	-	2,986
High School Dance Squad	1,871	6,460	5,655	-	2,676
Fruit/Juice Break	1,794	9,057	8,160	-	2,691
Elementary Annuals	521	3,237	3,758	-	-
Elem - LPC Art Show	309	29	-	-	338
Silver Cord - HS	-	121	121	-	-
Elem - LPC	6	-	-	-	6
Magazine sales	-	14,660	14,660	-	-
Math Club	119	-	-	-	119
National Honor Society	270	2,377	2,136	-	511
High School Cheerleaders	2,109	9,814	9,945	-	1,978
Middle School Cheerleaders	505	-	52	-	453
Middle School Dance Squad	24	1,356	1,380	-	-
Annual 2014	42	12,799	-	-	12,841
Class of 2014	949	-	949	-	-
Class of 2015	3,378	1,568	4,092	-	854
Class of 2016	1,300	2	-	-	1,302
Class of 2017	2,615	3	550	-	2,068
Class of 2018	1,775	473	-	-	2,248
Class of 2019	992	940	-	-	1,932
Class of 2020	-	727	-	-	727
Spanish Club	917	-	-	-	917
Student Council - DG	709	1,707	1,663	-	753
Student Council - HS	25	1,221	1,246	-	-
Student Council - LPC	5,146	1,470	1,527	-	5,089
Student Council - MS	3,509	4,695	3,335	-	4,869
Art Club	8,317	4,493	8,290	-	4,520
German Club	967	42,476	43,155	-	288
Talented and Gifted	377	370	274	-	473
Robotics	4,445	4,415	2,171	-	6,689
Total	\$ 178,514	447,026	455,928	(11,492)	158,120

UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Bowers Estate	\$ 3,860	1	-	3,861
Larson Estate	23,608	9	-	23,617
High School Weight Room	1,508	20,001	14,136	7,373
Total	<u>\$ 28,976</u>	<u>20,011</u>	<u>14,136</u>	<u>34,851</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR REPORT.

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUND
 JUNE 30, 2014

	Bader Scholarship	Anders Scholarship	Ellis Jones Scholarship Pharmacy	Ellis Jones Scholarship Academic	FFA Scholarship	Art Scholarship	Misc Scholarship	Total
Assets								
Cash and pooled investments	\$ 619	107,933	87,558	83,549	4,560	580	250	285,049
Liabilities	-	-	-	-	-	-	-	-
Net Position								
Restricted for scholarships	\$ 619	107,933	87,558	83,549	4,560	580	250	285,049

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUND
 YEAR ENDED JUNE 30, 2014

	Bader Scholarship	Anders Scholarship	Ellis Jones Scholarship Pharmacy	Ellis Jones Scholarship Academic	FFA Scholarship	Art Scholarship	Misc Scholarship	Total
Additions:								
Local sources:								
Gifts and contributions	\$ -	-	-	-	2,905	280	250	3,435
Interest	-	1,003	61	59	-	-	-	1,123
Total additions	-	1,003	61	59	2,905	280	250	4,558
Deductions:								
Instruction:								
Regular:								
Scholarships awarded	250	1,000	-	1,000	2,925	-	250	5,425
Change in net position	(250)	3	61	(941)	(20)	280	-	(867)
Net position beginning of year	869	107,930	87,497	84,490	4,580	300	250	285,916
Net position end of year	\$ 619	107,933	87,558	83,549	4,560	580	250	285,049

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOLS DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 4,356	8,001	10,435	1,922
Liabilities				
Accounts payable	\$ 320	135	320	135
Due to other groups	4,036	7,866	10,115	1,787
Total liabilities	\$ 4,356	8,001	10,435	1,922

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 5,111,477	5,813,341	5,761,009	5,626,185	5,446,833	5,318,917	4,908,032	4,765,008	4,458,264	4,239,101
Tuition	349,637	441,767	355,966	355,847	336,776	335,516	323,064	386,344	352,167	294,161
Other	641,055	626,868	844,501	720,495	694,830	735,904	838,629	940,087	818,596	768,189
Intermediate sources	-	-	-	-	-	-	162,929	143,732	151,769	165,078
State sources	7,870,615	6,699,240	6,793,711	6,414,189	5,530,383	6,383,227	5,949,075	5,462,501	5,223,143	5,013,465
Federal sources	285,776	279,710	259,575	644,246	873,821	333,882	198,118	213,546	191,224	194,256
Total	\$ 14,258,560	13,860,926	14,014,762	13,760,962	12,882,643	13,107,446	12,379,847	11,911,218	11,195,163	10,674,250
Expenditures:										
Instruction:										
Regular	\$ 5,254,779	5,146,936	5,110,103	4,899,028	4,951,169	4,960,355	4,637,820	4,634,592	4,528,277	4,406,787
Special	1,557,072	1,715,298	1,847,718	1,464,316	1,342,679	1,602,117	1,251,387	1,364,343	1,295,911	1,249,955
Other	1,633,591	1,725,349	1,554,847	1,563,769	1,507,420	1,162,791	1,244,450	1,127,186	1,126,110	1,008,912
Support services:										
Student	349,512	333,360	311,893	310,315	297,358	318,617	249,800	238,529	231,459	218,384
Instructional staff	463,222	452,092	415,194	531,576	505,336	454,393	365,468	476,019	370,929	363,933
Administration	1,356,345	1,274,913	1,228,539	1,234,701	1,200,663	1,170,052	1,174,637	1,141,204	1,079,520	995,038
Operation and maintenance of plant	1,186,022	1,047,411	974,999	968,027	860,159	879,724	798,996	809,692	882,795	757,981
Transportation	756,544	805,244	744,423	711,315	625,797	807,307	729,181	758,313	719,310	554,188
Non-instructional programs:										
Food service operations	-	668	-	-	-	-	-	-	-	-
Other enterprise operations	571	1,932	1,180	955	11,749	3,916	795	3,571	6,903	3,912
Capital outlay	1,019,742	167,803	1,128,963	2,864,149	7,438,402	596,369	532,857	221,974	60,715	13,956
Long-term debt:										
Principal	415,000	410,000	405,000	9,305,000	-	430,000	370,000	325,000	290,000	725,000
Interest and fiscal charges	285,409	293,609	301,708	265,562	122,845	17,400	33,650	49,150	63,650	95,673
Other expenditures:										
AEA flowthrough	506,729	494,478	506,961	551,202	536,585	452,298	418,968	392,085	367,601	351,379
Total	\$ 14,784,538	13,869,093	14,531,528	24,669,915	19,400,162	12,855,339	11,808,009	11,541,658	11,023,180	10,745,098

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Union Community School District as of and for the year ended June 30, 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 20, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

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

Compliance and Other Matters

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

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

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

Union Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2015
Newton, Iowa

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 - cash receipt and disbursement transactions, reconciliations and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - check preparation and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Financial reporting - preparing and reconciling.
- 7) School lunch program - collecting, recording and deposit preparation and depositing.

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

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

Conclusion - Response accepted.

OTHER MATTERS:

I-B-14 Deficit Lunch Account Balances - During our audit we noted multiple negative student lunch account balances on the Districts financial statements at June 30, 2014. Some of these negative amounts appeared to be excessive.

Recommendation - The District should develop policies regarding the treatment of negative account balances aimed at discouraging accounts from becoming excessively negative. The District may also wish to investigate alternatives to bring negative accounts back to a positive balance.

Response - All administrators are aware of negative balances and continue to work on collections thru emails, notes, phone calls and not allowing a la carte purchases or second meals.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 exceeded the certified budgeted amounts in the other expenditures functional area.

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

Response - The budget was amended; however, the amount was listed on the incorrect line with the correct description. The District will check amendments closer to assure the information is listed correctly.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - We noted during our audit instances of disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Fundraiser Prizes: We noted during our audit expenditures for prizes to be given to students for being top sellers as part of a pizza fundraiser which were purchased from the Girls Soccer account within the Student Activity Fund. Giving incentive prizes to students does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from giving prizes to individual students as performance incentives, for being top sellers in fund raisers or for good behavior to be in compliance with the Attorney General's opinion dated April 25, 1979.

Response - Administration and staff were reminded not to award "top" winners. All students should be commended for their efforts.

Conclusion - Response accepted.

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 - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Niel Mullen, Superintendent Nephew-in-law owns Gardner Plumbing	Services	\$2,321
Angela Bechthold, Teacher Nephew runs DJ service	DJ services	\$900
Louis Beck, Teacher Mother owns Breads by Ruth Beck	Supplies	\$2,318
Nancy McFarland, Bus driver Daughter owns La Porte City Printing & Design	Supplies	\$13,476
Owns Sunshine Florals	Supplies	\$413
Rita Eikamp, Teacher Daughter-in-law owns Simply Blooming	Supplies	\$35
Deb Jungling, Teacher Husband owns Pronto Market	Supplies	\$19,518
Michael Winter, Bus Driver Owns Winter Auto	Services	\$1,050

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

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

- II-E-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 - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-14 Supplemental 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 filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 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 allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$ 1,152,267
Revenues:		
Sales tax revenues	\$ 1,060,395	
Other local revenues	10,384	
Transfer from other funds	10,000	1,080,779
		<u>2,233,046</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 988,682	
Equipment	26,170	
Other	17,054	
Transferred to other funds:		
Debt service fund	711,600	1,743,506
		<u>1,743,506</u>
Ending Balance		<u>\$ 489,540</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.