

**NORTH UNION COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2015**

TABLE OF CONTENTS

Officials.....	1
Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Governmental Fund Financial Statements:	
Balance Sheet	16
Reconciliation of the Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Proprietary Fund Financial Statements:	
Statement of Net Position	20
Statement of Revenues, Expenses and Changes in Net Position	21
Statement of Cash Flows	22
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	23
Statement of Changes in Fiduciary Net Position	24
Notes to Financial Statements	25
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual, All Governmental Funds and Proprietary Fund	44
Notes to Required Supplementary Information – Budgetary Reporting.....	45
Schedule of the District's Proportionate Share of the Net Pension Liability.....	46
Schedule of District Contributions.....	47
Notes to Required Supplementary Information – Pension Liability	48
Notes to Required Supplementary Information – Budgetary Reporting Schedule of Funding Progress for the Retiree Health Plan	49
Other Supplementary Information:	
Schedule	
Governmental Nonmajor Funds:	
Combining Balance Sheet	1 50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 51
Statement of Changes in Assets and Liabilities – Agency Fund	3 52
Schedule of Student Activity Account Activity	4 53
Schedule of Revenues by Source and Expenditures by Function	5 54
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters	55
Schedule of Findings.....	57

NORTH UNION COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>BOARD OF EDUCATION</u>		
James Boyer	President	2015
Jennifer VonBank	Vice President	2017
George Walker	Board Member	2017
Cory Culbertson	Board Member	2017
Gene Miller	Board Member	2015

SCHOOL OFFICIALS

Matt Berninghaus	Superintendent
Erin Rogers	District Secretary/Treasurer



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activity, each major fund and the aggregate remaining fund information of North Union Community School District, Armstrong, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as 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 accounting principles generally accepted in the United States of America; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to the 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 entity'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 entity'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 that 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 activity, each major fund, and the aggregate remaining fund information of North Union Community School District, Armstrong, Iowa, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 12 to the financial statements, North Union Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

As discussed in Note 13 of the financial statements, North Union Community School District was formed on July 1, 2014, through the reorganizing of Armstrong-Ringsted Community School District and Sentral Community School District. North Union Community School District adopted GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of the District Contributions, the Notes to Required Supplementary Information – Pension Liability and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and pages 44 through 49 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, who 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 auditing standards generally accepted in the United States of America, 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Union Community School District's basic financial statements. The other supplementary information included in Schedules 1 through 5 is presented for purposed of additional analysis and is not a required part of the financial statements.

The other supplementary information is the responsibility of management and was derived from and relate 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 auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 14, 2016 on our consideration of the North 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 the North Union Community School District's internal control over financial reporting and compliance.

Williams & Company P.C.
Certified Public Accountants

Spencer, Iowa
March 14, 2016

NORTH UNION COMMUNITY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

North 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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

North Union Community School District was formed on July 1, 2014 when Sentral Community School District and Armstrong-Ringsted Community School District merged to form the North Union Community School District. Beginning fund balances are a result of combining Sentral and Armstrong-Ringsted's ending 2014 balances. The fiscal year ended June 30, 2015 represents the first year of activity for the District. Therefore this narrative will not have any comparative numbers or increases or decreases to report on.

General fund revenues in fiscal 2015 were \$5,902,431 while General fund expenditures were \$5,899,831. The difference between the revenues and expenses along with a transfer in of \$38,742 results in a net change in fund balance of \$41,342. The District's General fund balance at the end of 2015 was \$1,457,562.

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 North Union 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 financials statements report North Union Community School District's operations in more detail than the government-wide statements provide information about the most significant funds. The remaining statements provide financial information about activities for which North 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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

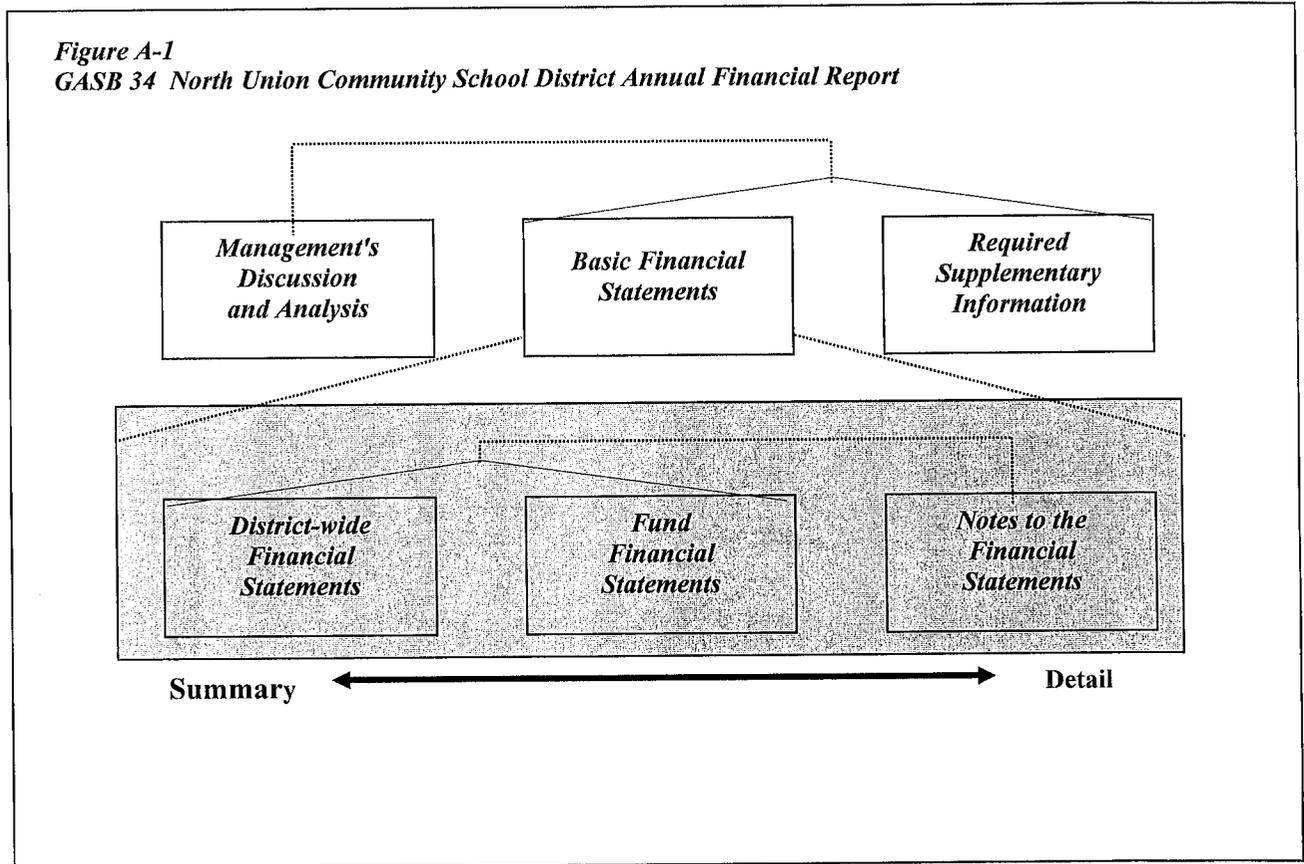


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	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, 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 revenues and expenses 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 they have 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 are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statement

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 Project Funds. The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.
- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The required financial statements for 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:* Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's fiduciary fund includes an agency fund and a scholarship fund. The District accounts for outside donations for scholarships for individual students in this fund. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The required financial statements for fiduciary funds include a statement of fiduciary net position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015.

Figure A-3

Condensed Statement of Net Position

	Governmental Activities	Business-Type Activity	Total District
	2015	2015	2015
Current and Other Assets	\$ 9,612,874	\$ (1,530)	\$ 9,611,344
Capital Assets	5,458,401	5,857	5,464,258
Total Assets	15,071,275	4,327	15,075,602
Deferred Outflows of Resources	358,509	10,138	368,647
Current Liabilities	1,424,755	4,230	1,428,985
Non-Current Liabilities	4,337,151	50,916	4,388,067
Total Liabilities	5,761,906	55,146	5,817,052
Deferred Inflows of Resources	3,821,188	19,418	3,840,606
Net Position:			
Net Investment in Capital Assets	3,268,370	5,857	3,274,227
Restricted	3,447,889	-	3,447,889
Unrestricted	(869,569)	(65,956)	(935,525)
Total Net Position	\$ 5,846,690	\$ (60,099)	\$ 5,786,591

The District's combined net position was \$5,786,591. Net Investment in Capital Assets represented 57% of the total, restricted represented 59%, and unrestricted represented -16% of the total combined net position. The Restricted net position of the District's net position and represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints, established debt covenants, enabling legislation or other legal requirements – is negative due to implementing GASB 68.

Figure A-4 shows the changes in net position.

Figure A-4
Changes in Net Position from Operations

	Governmental Activities	Business-Type Activity	Total District
	2015	2015	2015
Revenue:			
Program Revenue:			
Charges for Services	\$ 1,173,849	\$ 108,386	\$ 1,282,235
Operating Grants and Contributions	883,862	105,314	989,176
General Revenues:			
Property Tax	3,062,782	-	3,062,782
Income Surtax	526,801	-	526,801
SSSU Tax	412,050	-	412,050
State Grants	1,681,529	-	1,681,529
Interest Income	29,399	126	29,525
Miscellaneous	59,348	-	59,348
Total Revenues	7,829,620	213,826	8,043,446
Expenses:			
Instruction	4,441,414	-	4,441,414
Support Services	1,965,727	-	1,965,727
Non-Instructional	-	205,028	205,028
Other Expenses	533,002	-	533,002
Total Expenses	6,940,143	205,028	7,145,171
Change in Net Position	\$ 889,477	\$ 8,798	\$ 898,275

Property tax and unrestricted state grants account for 61% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 90% of the total expenses.

The District's total revenues were approximately \$8.0 million, of which \$7.8 million was for governmental activities and \$200 thousand was for business type activities.

Governmental Activities

Revenues for governmental activities for the year ended June 30, 2015 were \$7,829,620 and expenses were \$6,940,143.

Figure A-5 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, 2015.

Figure A-5 - Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015		2015	
Instruction	\$	4,411,414	\$	2,560,053
Support Services		1,965,727		1,965,727
Other Expenses		533,002		326,652
Total	\$	6,910,143	\$	4,852,432

For the year ended June 30, 2015:

- The cost financed by users of the District’s programs was \$1,173,849 in 2015.
- Federal and state governments subsidized certain programs and grants and contributions totaling \$883,862 in 2015.
- The net cost of governmental activities was financed with \$4,001,633 in property taxes and other taxes and \$1,681,529 in unrestricted state grants.

Business-Type Activities

Revenues of the District’s business-type activities (school food and nutrition services) totaled \$213,826 while expenses totaled \$205,028. (Refer to Figure A-4.) The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, North Union 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 a combined fund balance of \$4,433,149.

Governmental Fund Highlights

The District attempted to maintain its General Fund balance by sharing staff and cutting expenses from portions of the budget that were not already obligated, such as supplies, maintenance, and utility items.

The General Fund net change in fund balance was a positive \$41,342. This was a result of maximizing revenues and controlling expenditures.

The Statewide Sales Service and Use Tax net change in fund balance was a positive \$289,793. This was a result of systematically limiting projects in anticipation of long-range facility-planning needs.

The Capital Projects Fund, Physical Plant and Equipment Levy (PPEL) net change in fund balance was a negative \$82,510. This was a result of increased building repairs and improvements between the two campuses.

Proprietary Fund Highlights

The School Nutrition change in fund balance was a positive \$8,798 at the end of fiscal year 2015. This was the result of reducing food service expenditures. The district is continuing to closely monitor this fund and is looking for ways to increase revenues and cut costs.

Budgetary Highlights

The North Union Community School District did not amend its annual budget during the fiscal year ending June 30, 2015.

The District’s revenues were \$1,128,571 less than budgeted, primarily due to a decrease in miscellaneous revenues previously associated with the whole grade sharing agreement between the now consolidated districts.

Total expenditures were less than budgeted expenses primarily due to maintaining control over expenditures.

CAPITAL AND DEBT ADMINISTRATION

At June 30, 2015, the District had invested \$5.46 million, net of accumulated depreciation, in a broad range of assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. More detailed information about the District’s capital assets is presented in Note 3 to the financial statements. Total depreciation expense for the year was \$402,088.

The original cost of the District’s capital assets was \$11,080,715 Governmental funds account for \$11,035,597 with the remainder of \$45,117 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6 - Capital Assets

	Governmental Business-Type		
	Activities	Activity	Total District
	2015	2015	2015
Land	\$ 28,000	\$ -	\$ 28,000
Constuction in Progress	140,178	-	140,178
Buildings & Improvements	4,590,356	5,857	4,596,213
Equipment, Furniture & Vehicles	699,867	-	699,867
Total	\$ 5,458,401	\$ 5,857	\$ 5,464,258

Long-Term Debt

At year-end, the District had \$4,209,797 of long-term debt outstanding. See Figure A-7 below. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-7 - Long-Term Debt

	<u>Total District</u> <u>2015</u>
Leases Payable	300,031
Net OPEB liability	168,264
QZAB bonds	1,000,000
Net Pension Liability	1,851,502
General Obligation Bonds	<u>890,000</u>
Total	<u><u>\$ 4,209,797</u></u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The whole grade sharing agreement between the North Union and North Kossuth school districts began July 1, 2014 and includes sharing grades 6-12 and the districts continue to work towards reorganization.
- The new district will continue to share operational positions with neighboring districts to best utilize resources, increase miscellaneous revenues, and maximize supplementary weighting.
- As the reorganization incentives from the Armstrong-Ringsted and Sentral consolidation phase out, the district must look for new ways to increase revenues or decrease costs to accommodate the decrease in spending authority over the next few years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional information, contact Erin Rogers, Business Manager, North Union Community School District, PO Box 75, Armstrong, IA 50514-0075.

BASIC FINANCIAL STATEMENTS

NORTH UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government Governmental Activities	Business Type Activities	Total
Assets			
Cash and Pooled Investments:			
Unrestricted	\$ 4,582,807	\$ 73,995	\$ 4,656,802
Restricted	407,168	-	407,168
Receivables:			
Property Tax	25,808	-	25,808
Property Tax - Succeeding Year	3,134,497	-	3,134,497
Income Surtax	450,817	-	450,817
Accounts Receivable	13,661	-	13,661
Due from Other Governmental Agencies	907,351	-	907,351
Internal Balances	90,765	(90,765)	-
Inventories	-	14,419	14,419
Prepaid Expenses	-	821	821
Land	28,000	-	28,000
Construction in Progress	140,178	-	140,178
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,290,223	5,857	5,296,080
Total Assets	<u>15,071,275</u>	<u>4,327</u>	<u>15,075,602</u>
Deferred Outflows of Resources			
Pension Related Deferred Outflows	<u>358,509</u>	<u>10,138</u>	<u>368,647</u>
Liabilities			
Accounts Payable	1,060,273	-	1,060,273
Accrued Wages and Payroll Liabilities	355,868	519	356,387
Accrued Interest Payable	8,614	-	8,614
Unearned Revenue	-	3,711	3,711
Long-Term Liabilities:			
Debt Due Within One Year:			
Bonds Payable	150,000	-	150,000
Lease Payable	45,627	-	45,627
Early Retirement Payable	178,270	-	178,270
Debt Due in More Than One Year:			
Bonds Payable	740,000	-	740,000
Lease Payable	254,404	-	254,404
QZAB Loan Payable	1,000,000	-	1,000,000
Net Pension Liability	1,800,586	50,916	1,851,502
Net OPEB Liability	168,264	-	168,264
Total Liabilities	<u>5,761,906</u>	<u>55,146</u>	<u>5,817,052</u>
Deferred Inflows of Resources			
Unavailable Revenues:			
Succeeding Year Property Tax	3,134,497	-	3,134,497
Pension Related Deferred Inflows	686,691	19,418	706,109
Total Deferred Inflows of Resources	<u>3,821,188</u>	<u>19,418</u>	<u>3,840,606</u>
Net Position			
Net Investment in Capital Assets	3,268,370	5,857	3,274,227
Restricted for:			
Physical Plant and Equipment Levy	808,328	-	808,328
Categorical Funding	280,452	-	280,452
School Infrastructure	1,258,690	-	1,258,690
Student Activities	99,125	-	99,125
Debt Service	665,368	-	665,368
Management Levy	335,926	-	335,926
Unrestricted	(869,569)	(65,956)	(935,525)
Total Net Position	<u>\$ 5,846,690</u>	<u>\$ (60,099)</u>	<u>\$ 5,786,591</u>

See Accompanying Notes to Financial Statements

**NORTH UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 2,686,912	\$ 746,147	\$ 526,266	\$ -
Special Instruction	986,404	227,362	-	-
Other Instruction	768,098	200,340	151,246	-
Support Services:				
Student Services	34,658	-	-	-
Instructional Staff Services	102,288	-	-	-
Administration Services	752,770	-	-	-
Operations and Maintenance	678,882	-	-	-
Transportation Services	397,129	-	-	-
Other Expenditures:				
Facilities Acquisition	15,638	-	-	-
Long-term Debt Interest and Fiscal Charges	48,624	-	-	-
AEA Flow-Through	206,350	-	206,350	-
Unallocated Depreciation*	262,390	-	-	-
Total Governmental Activities	<u>6,940,143</u>	<u>1,173,849</u>	<u>883,862</u>	<u>-</u>
Business-Type Activities:				
School Nutrition Fund	<u>205,028</u>	<u>108,386</u>	<u>105,314</u>	<u>-</u>
Total School District	<u><u>\$ 7,145,171</u></u>	<u><u>\$ 1,282,235</u></u>	<u><u>\$ 989,176</u></u>	<u><u>\$ -</u></u>

General Revenues:

Property Tax Levied For:
 General Purposes
 Management Levy
 Physical Plant and Equipment Levy
 Debt Service
Income Surtax
 General Purposes
 Capital Outlay
Statewide Sales and Services Tax
Unrestricted State Grants
Interest on Investments
Miscellaneous
Total General Revenues

Change in Net Position

Net Position - Beginning
Prior Period Adjustment/Restatement
Net Assets - Beginning, as Restated

Net Position - Ending

* This amount excludes the depreciation included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (1,414,499)		\$ (1,414,499)
(759,042)		(759,042)
(416,512)		(416,512)
(34,658)		(34,658)
(102,288)		(102,288)
(752,770)		(752,770)
(678,882)		(678,882)
(397,129)		(397,129)
(15,638)		(15,638)
(48,624)		(48,624)
-		-
(262,390)		(262,390)
<u>(4,882,432)</u>		<u>(4,882,432)</u>
-	\$ 8,672	8,672
<u>(4,882,432)</u>	<u>8,672</u>	<u>(4,873,760)</u>
2,102,011	-	2,102,011
150,069	-	150,069
208,198	-	208,198
602,504	-	602,504
257,383	-	257,383
269,418	-	269,418
412,050	-	412,050
1,681,529	-	1,681,529
29,399	126	29,525
59,348	-	59,348
<u>5,771,909</u>	<u>126</u>	<u>5,772,035</u>
889,477	8,798	898,275
<u>7,161,086</u>	<u>(5,564)</u>	<u>7,155,522</u>
<u>(2,203,873)</u>	<u>(63,333)</u>	<u>(2,267,206)</u>
<u>4,957,213</u>	<u>(68,897)</u>	<u>4,888,316</u>
<u>\$ 5,846,690</u>	<u>\$ (60,099)</u>	<u>\$ 5,786,591</u>

See Accompanying Notes to Financial Statements

**NORTH UNION COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General	Statewide Sales Service and Use Tax	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Pooled Investments					
Unrestricted	\$ 1,750,029	\$ 895,752	\$ 644,904	\$ 1,292,122	\$ 4,582,807
Restricted	-	407,168	-	-	407,168
Receivables:					
Property Taxes	17,946	-	1,775	6,087	25,808
Property Taxes - Succeeding Year	2,443,131	-	258,351	433,015	3,134,497
Income Surtax	150,272	-	300,545	-	450,817
Other Accounts Receivable	11,863	-	-	1,798	13,661
Due from Other Governmental Agencies	843,085	63,986	-	280	907,351
Due from Other Funds	160,008	-	31,774	1,573	193,355
Total Assets	<u>5,376,334</u>	<u>1,366,906</u>	<u>1,237,349</u>	<u>1,734,875</u>	<u>9,715,464</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	940,740	105,246	3,389	10,898	1,060,273
Accrued Wages and Payroll Liabilities	355,868	-	-	-	355,868
Early Retirement Payable	-	-	-	178,270	178,270
Due to Other Funds	28,761	2,970	67,200	3,659	102,590
Total Liabilities	<u>1,325,369</u>	<u>108,216</u>	<u>70,589</u>	<u>192,827</u>	<u>1,697,001</u>
Deferred Inflows of Resources					
Unavailable Revenues:					
Succeeding Year Property Taxes	2,443,131	-	258,351	433,015	3,134,497
Succeeding Year Income Surtax	150,272	-	300,545	-	450,817
Total Deferred Inflows of Resources	<u>2,593,403</u>	<u>-</u>	<u>558,896</u>	<u>433,015</u>	<u>3,585,314</u>
Fund Balances					
Restricted for:					
Categorical Funding	280,452	-	-	-	280,452
School Infrastructure	-	1,258,690	-	-	1,258,690
Student Activities	-	-	-	99,125	99,125
Management Levy	-	-	-	335,926	335,926
Debt Service	-	-	-	673,982	673,982
Physical Plant and Equipment	-	-	607,864	-	607,864
Unassigned	1,177,110	-	-	-	1,177,110
Total Fund Balances	<u>1,457,562</u>	<u>1,258,690</u>	<u>607,864</u>	<u>1,109,033</u>	<u>4,433,149</u>
Total Liabilities and Fund Balances	<u>\$ 5,376,334</u>	<u>\$ 1,366,906</u>	<u>\$ 1,237,349</u>	<u>\$ 1,734,875</u>	<u>\$ 9,715,464</u>

**NORTH UNION COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2015**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 16)	\$	4,433,149
Income surtax receivable at June 30, 2015 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Net Position.		450,817
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		5,458,401
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported as assets and liabilities in the governmental funds, as follows:		
Deferred outflows of resources		358,509
Deferred inflows of resources		<u>(686,691)</u>
		(328,182)
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.		(8,614)
Long-term liabilities, including bonds and notes payable, capital leases, long-term portion of early retirement and other postemployment benefits payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		<u>(4,158,881)</u>
Total Net Position - Governmental Activities (page 13)	\$	<u><u>5,846,690</u></u>

NORTH UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General	Statewide Sales Service and Use Tax	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
Revenues					
Local Sources:					
Local Tax	\$ 2,316,092	\$ 412,050	\$ 390,998	\$ 752,573	\$ 3,871,713
Tuition	879,737	-	-	-	879,737
Other	144,137	15,073	10,401	212,190	381,801
State Sources	2,263,200	-	805	3,179	2,267,184
Federal Sources	299,265	-	-	-	299,265
Total Revenues	<u>5,902,431</u>	<u>427,123</u>	<u>402,204</u>	<u>967,942</u>	<u>7,699,700</u>
Expenditures					
Instruction:					
Regular Instruction	2,617,908	-	-	66,303	2,684,211
Special Instruction	1,003,880	-	-	-	1,003,880
Other Instruction	594,192	-	-	189,981	784,173
Support Services:					
Student Services	35,475	-	-	-	35,475
Instructional Staff Services	105,112	-	-	-	105,112
Administration Services	599,947	-	-	162,526	762,473
Operations and Maintenance	442,926	-	264,838	30,963	738,727
Transportation Services	294,041	-	261,559	12,663	568,263
Other Expenditures:					
Facilities Acquisition	-	137,330	-	-	137,330
Long-Term Debt:					
Principal	-	-	-	340,321	340,321
Interest and Fiscal Charges	-	-	-	46,626	46,626
AEA Flow-Through	206,350	-	-	-	206,350
Total Expenditures	<u>5,899,831</u>	<u>137,330</u>	<u>526,397</u>	<u>849,383</u>	<u>7,412,941</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,600</u>	<u>289,793</u>	<u>(124,193)</u>	<u>118,559</u>	<u>286,759</u>
Other Financing Sources (Uses)					
Long-Term Debt Proceeds	-	-	189,002	-	189,002
Transfers In	38,742	-	-	110,774	149,516
Transfers Out	-	-	(147,319)	(2,197)	(149,516)
Total Other Financing Sources	<u>38,742</u>	<u>-</u>	<u>41,683</u>	<u>108,577</u>	<u>189,002</u>
Net Change in Fund Balance	41,342	289,793	(82,510)	227,136	475,761
Fund Balances at Beginning of Year	1,416,220	968,897	823,196	881,897	4,090,210
Prior Period Adjustment/Restatement	-	-	(132,822)	-	(132,822)
Fund Balances - Beginning of Year, Restated	<u>1,416,220</u>	<u>968,897</u>	<u>690,374</u>	<u>881,897</u>	<u>3,957,388</u>
Fund Balances at End of Year	<u>\$ 1,457,562</u>	<u>\$ 1,258,690</u>	<u>\$ 607,864</u>	<u>\$ 1,109,033</u>	<u>\$ 4,433,149</u>

See Accompanying Notes to Financial Statements

**NORTH UNION COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

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

Net Change in Fund Balances - Total Governmental funds (page 18)	\$	475,761
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. This represents the change in income surtax receivable from the prior year.		
		129,920
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	460,248	
Depreciation expense	<u>(402,088)</u>	58,160
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are recorded as a deferred outflow of resources in the Statement of Net Position.		
		248,306
Accrued interest expense that does not require current financial resources.		
		(1,998)
Lease proceeds provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Position.		
		(189,002)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The Statement of Activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was:		
		340,321
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, as follows:		
Early Retirement	269	
Pension Expense	(137,380)	
Other Postemployment Benefits	<u>(34,880)</u>	<u>(171,991)</u>
Change in Net Position of Governmental Activities (page 15)	\$	<u><u>889,477</u></u>

**NORTH UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015**

	School Nutrition Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 73,995
Prepaid Expenses	821
Inventories	14,419
Total Current Assets	89,235
Noncurrent Assets:	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,857
Total Assets	95,092
 Deferred Outflows of Resources	
Pension Related Deferred Outflows	10,138
 Liabilities	
Current Liabilities	
Accounts Payable	519
Due to Other Funds	90,765
Unearned Revenue	3,711
Total Current Liabilities	94,995
Noncurrent Liabilities	
Net Pension Liability	50,916
Total Noncurrent Liabilities	50,916
Total Liabilities	145,911
 Deferred Inflows of Resources	
Pension Related Deferred Inflows	19,418
 Net Position	
Invested in Capital Assets, Net of Related Debt	5,857
Unrestricted (Deficit)	(65,956)
Total Net Position	\$ (60,099)

See Accompanying Notes to Financial Statements

**NORTH UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	School Nutrition Fund
Operating Revenues:	
Charges for Services	\$ 107,425
Miscellaneous	961
Total Operating Revenue	108,386
Operating Expenses:	
Non-Instructional Programs:	
Food Service Operations:	
Salaries	75,491
Benefits	22,777
Food	98,169
Supplies	2,994
Other Expense	2,668
Depreciation	2,929
Total Operating Expenses	205,028
Operating (Loss)	(96,642)
Non-Operating Revenue:	
Interest Income	126
State Lunch Reimbursements	1,811
National School Lunch Program	93,010
Federal Food Commodities Received	10,493
Total Non-Operating Revenue	105,440
Change in Net Position	8,798
Net Position - Beginning (Deficit)	(5,564)
Prior Period Restatement	(63,333)
Net Position - Beginning (Deficit), Restated	(68,897)
Net Position - Ending (Deficit)	\$ (60,099)

See Accompanying Notes to Financial Statements

**NORTH UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	School Nutrition Fund
<hr/>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 109,885
Cash Payments for Salaries and Benefits	(101,405)
Cash Payments for Goods and Services	(92,755)
Net Cash (Used) by Operating Activities	<u>(84,275)</u>
 Cash Flows from Non-Capital Financing Activities	
Federal Appropriations Received	93,010
State Appropriations Received	1,811
Cash Received from General Fund	52,325
Net Cash Provided by Non-Capital Financing Activities	<u>147,146</u>
 Cash Flows from Investing Activities	
Interest on Investments	<u>126</u>
 Net Increase in Cash and Cash Equivalents	62,997
 Cash and Cash Equivalents at Beginning of Year	<u>10,998</u>
 Cash and Cash Equivalents at End of Year	<u>\$ 73,995</u>
Reconciliation of Operating (Loss) to Net Cash (Used) in Operating Activities:	
Operating (Loss)	\$ (96,642)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) in Operating Activities:	
Depreciation Expense	2,929
Commodities Used	10,493
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	1,592
(Increase) in Prepaid Expenses	(821)
(Increase) in Deferred Outflows	(2,636)
Decrease in Inventory	884
Increase in Accounts Payable	520
(Decrease) in Deferred Revenue	(93)
(Decrease) in Net Pension Liability	(19,919)
Increase in Deferred Inflows	19,418
Net Cash (Used) by Operating Activities	<u>\$ (84,275)</u>
Supplemental Schedule of Noncash Noncapital Financial Activities:	
Federal Food Commodities Received	<u>\$ 10,493</u>

See Accompanying Notes to Financial Statements

NORTH UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	Private Purpose Trust Scholarship	Agency Fund Music Booster & Post-Prom
Assets		
Cash and Pooled Investments	\$ 152,347	\$ 20,293
Total Assets	152,347	20,293
Liabilities		
Other Payables	-	20,293
Total Liabilities	-	-
Net Position		
Restricted for Scholarships	152,347	-
Total Net Position	\$ 152,347	\$ -

**NORTH UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Private Purpose Trust Scholarship
Additions:	
Local Sources:	
Interest on Investments	\$ 1,391
Total Additions	1,391
 Change in Net Position	 1,391
 Net Position Beginning of the Year	 <u>150,956</u>
 Net Position End of Year	 <u><u>\$ 152,347</u></u>

NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The North Union Community School District was formed when voters of both the Armstrong-Ringsted and Sentral Community School Districts approved a merger as of July 1, 2014.

The North Union Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Armstrong, Ringsted, Lone Rock, and Fenton Iowa, and agricultural area in Palo Alto, Emmet, and Kossuth Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. The District is currently engaged in a sharing agreement with the North Kossuth Community School District for grades nine through twelve.

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, North Union Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The North Union Community School District has no component units which meet the Governmental Accounting Standards Board criteria. However, the District has chosen to include as Agency Funds, all of the organizations included in Schedule 3.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto, Kossuth and Emmet County Assessor Conference Boards.

B. Basis of Presentation

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

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- ***Net Investment in Capital Assets*** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.
- ***Restricted Net Position*** result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Position*** consist of net position that do not meet the definition of the two preceding categories. Unrestricted Net Position often have constraints on resources that are imposed which can be removed or modified.

The District first uses restricted resources to finance qualifying activities.

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 restricted to meeting the operational or capital requirements of 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. The District first uses restricted resources to finance qualifying activities.

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.
- The **Capital Projects Fund, Statewide Sales, Service and Use Tax** is used to account for property tax levy per thousand dollars of assessed valuation in the District for the acquisition and construction of capital facilities and other capital assets.
- The **Capital Projects Fund, Physical Plant and Equipment Levy** is used to account for the purchase of equipment and the repairing, remodeling, and construction of buildings and land improvements.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash and Pooled Investments – The cash balances of the General and Management funds are pooled and invested, while all other funds have separate accounts. Investments are stated at fair value except for 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 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.

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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

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 contributed value for 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, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land and Buildings	\$ 2,500
Improvements other than Buildings	\$ 2,500
Furniture and Equipment:	
School Nutrition Fund Equipment	\$ 500
Other Furniture and Equipment	\$ 2,500

NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Buildings	50 years
Improvements other than Buildings	20 years
Furniture and Equipment	5 – 15 years

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for non-certified staff corresponding to the current school year, have been accrued as liabilities.

Unearned Revenue – When assets are recognized in connection with a transaction before the earning process is complete, those assets must be offset by a corresponding liability for unearned revenue.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to /deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflow of resources consists of property tax receivables and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred inflow of resources in the Statement of Net Position consist of succeeding year property tax receivable and succeeding year income surtax that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Unassigned – All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Note 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2015, 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.

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less. The District's investments consist of certificates of deposit that have original maturities of less than 397 days.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$19,533 pursuant to Rule 2a-7 under the Investment Company act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

At June 30, 2015, the District had \$407,168 of restricted cash for the repayment of the QZAB note.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 3 – CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2015, is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 28,000	\$ -	\$ -	\$ 28,000
Construction in Progress	24,492	116,412	726	140,178
Total Assets Not Being Depreciated	52,492	116,412	726	168,178
Capital Assets Being Depreciated				
Buildings and Improvements	8,445,508	68,114	-	8,513,622
Furniture and Equipment	2,077,349	276,448	-	2,353,797
Total Capital Assets Being Depreciation	10,522,857	344,562	-	10,867,419
Less: Accumulated Depreciation for:				
Buildings and Improvements	3,706,588	216,679	-	3,923,267
Furniture and Equipment	1,468,520	185,409	-	1,653,929
Total Accumulated Depreciation	5,175,108	402,088	-	5,577,196
Total Capital Assets Being Depreciated, Net	5,347,749	(57,526)	-	5,290,223
Governmental Activities Capital Assets, Net	5,400,241	58,886	726	5,458,401
Business-type Activity:				
Furniture and Equipment	45,117	-	-	45,117
Less Accumulated Depreciation	36,331	2,929	-	39,260
Business-Type Activity Capital Assets, Net	\$ 8,786	\$ (2,929)	\$ -	\$ 5,857

Depreciation expense was charged to the following functions:

Governmental Activities:	
Instructional	\$ 12,505
Administration	5,477
Transportation Services	96,649
Operation and Maintenance	25,067
Unallocated	262,390
Total depreciation expense - governmental activities	\$ 402,088
Business-type Activities:	
Food Service Operations	\$ 2,929

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 3 – CAPITAL ASSETS (Continued)

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-type Activities
Land	\$ 28,000	\$ -
Construction in Progress	140,178	-
Capital Assets (net of accumulated depreciation)	5,290,223	5,857
Less:		
Bonds Payable	(890,000)	-
Leases Payable	(300,031)	-
QZAB Payable	(1,000,000)	-
Net Investment in Capital Assets	\$ 3,268,370	\$ 5,857

Note 4 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	July 1. 2014 Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 1,125,000	\$ -	\$ 235,000	\$ 890,000	\$ 150,000
Capital Lease Payable	216,350	189,002	105,321	300,031	45,627
Early Retirement	84,622	178,270	84,622	178,270	178,270
Net OPEB Liability	133,384	34,880	-	168,264	-
Net Pension Liability	2,504,994	-	704,408	1,800,586	-
Qualified Zone Academy Bonds	1,000,000	-	-	1,000,000	-
Long-Term Liabilities	\$ 5,064,350	\$ 402,152	\$ 1,129,351	\$ 4,337,151	\$ 373,897

	July 1. 2014 Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business Type Activities					
Net Pension Liability	\$ 70,835	\$ -	\$ 19,919	\$ 50,916	\$ -

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 4 – LONG-TERM LIABILITIES (Continued)

General Obligation Bonds

The District adopted a resolution, on June 15, 2009, providing for the issuance of \$1,285,000 in General Obligation School Refunding Bonds, Series 2009. Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30	Interest Rates	Principal	Interest
2016	3.10	\$ 95,000	\$ 28,160
2017	3.35	100,000	25,215
2018	3.60	105,000	21,865
2019	3.80	105,000	18,085
2020	4.00	110,000	14,095
2021-2022	4.10-4.15	235,000	14,675
Total		<u>\$ 750,000</u>	<u>\$ 122,095</u>

The District adopted a resolution, on September 15, 2009, providing for the issuance of \$525,000 in General Obligation School Refunding Bonds, Series 2009. Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30	Interest Rates	Principal	Interest
2016	3.85	\$ 55,000	\$ 8,855
2017	3.85	55,000	6,738
2018	3.85	30,000	4,620
Total		<u>\$ 140,000</u>	<u>\$ 20,213</u>

Qualified Zone Academy Bonds

The District borrowed \$1,000,000 under the Qualified Zone Academy Bonds (QZAB). This program is aimed at Districts with 35% or more free and reduced price meal eligibility. Funds can be used for renovation and repairs, energy saving measures, or technology. The debt is repaid from the same fund as the original expense is made from. This will primarily, if not entirely, be from the Capital Projects Fund. The notes are non-interest bearing. The District makes deposits of \$62,062 to the bank that goes into an interest-bearing reserve account with a guaranteed rate of 3.5%. At July 1, 2022, the District will have \$1,000,000 in the account from their deposits and interest to pay the loan.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 4 – **LONG-TERM LIABILITIES (Continued)**

Capital Lease

The District entered into a \$96,500 three year lease in April 2012, with purchase options, for a school bus. Three payments totaling \$97,997 are required with a bargain purchase option at the end of the lease. The interest rate is 3.0%. The first payment was made in fiscal year 2012. This was paid off in fiscal year 2015.

The District entered into a \$186,250 four year lease in October 2013, with purchase options, for two school busses. Three payments totaling \$170,007 are required with a bargain purchase option at the end of the lease. The interest rate is 2.33%. The first payment was made in fiscal year 2014.

The District entered into a \$189,002 four year lease in November 2014, with purchase options, for two school busses. Three payments totaling \$199,589 are required with a bargain purchase option at the end of the lease. The interest rate is 2.33%. The first payment was made in fiscal year 2015.

Year	Governmental Activities	
Ending June 30	Principal	Interest
2016	\$ 45,627	\$ 7,372
2017	138,742	6,255
2018	115,662	2,938
	<u>\$ 300,031</u>	<u>\$ 16,565</u>

Early Retirement

The District offered a one-time voluntary early retirement plan during fiscal year 2011 to its certified employees. Eligible employees must be at least age fifty-six and employees must have completed twenty-nine years of service as a full-time licensed employee to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives are equal to a total cash payment of \$30,000 payable in five yearly installments of \$6,000.

The District offered a one-time voluntary early retirement plan during fiscal year 2015 to its certified employees. Eligible employees must be at least age fifty-six and employees must have completed ten years of service as a full-time licensed employee to the District. Employees must complete an application which is required to be approved by the Board of Education. Teacher early retirement incentives are equal to a total 403b plan payment of \$36,000 payable in bi-annual installments of \$18,000. Administrator early retirement incentives are equal to a total 403b plan payment of \$100,000 payable in bi-annual installments of \$50,000.

Early retirement benefits paid during the year ended June 30, 2015, totaled \$178,270. There were five retired individuals receiving benefits at June 30, 2015.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 5 – INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2015, short-term interfund borrowings were as follows:

Fund Due To	Fund Due From	Amount
General Fund	Nutrition Fund	\$ 89,192
General Fund	SILO Fund	1,058
General Fund	PPEL	67,200
General Fund	Non-Major Gov. Funds	2,559
PPEL	General Fund	28,861
PPEL	SILO Fund	1,912
PPEL	Non-Major Gov. Funds	1,000
Non-Major Gov. Funds	Nutrition Fund	1,573
		\$ 193,355

The purpose of the interfund balance from the Nutrition Fund to the General Fund is reimbursement for payroll and benefits that was paid out of the General Fund that is related to the Nutrition Fund. The balance the General Fund owes from the SILO, PPEL, and non-major governmental funds is for expenses that should have been paid by those funds. The amount owed to the PPEL fund from the General, SILO, and non-major governmental funds is for expenses that should have been paid by those funds. The amount owed to the non-major governmental funds from the Nutrition Fund is a payschools deposit that was incorrectly deposited in the Nutrition Fund.

Note 6 – PENSION AND RETIREMENT BENEFITS

Plan description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member’s first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member’s highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 6 – PENSION AND RETIREMENT BENEFITS (Continued)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$255,328.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$1,851,502 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.0457490 percent, which was a decrease of 0.0002560 from its proportion measured as of June 30, 2013.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 6 – PENSION AND RETIREMENT BENEFITS (Continued)

For the year ended June 30, 2015, the District recognized pension expense of \$141,265. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,122	\$ -
Changes of assumptions	81,711	-
Net difference between projected and actual earnings on pension plan investments	-	706,109
Changes in proportion and difference between District contributions and proportionate share of contributions	11,486	-
District contributions subsequent to the measurement date	255,328	-
Total	\$ 368,647	\$ 706,109

\$255,328 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (150,051)
2017	(150,051)
2018	(150,051)
2019	(150,051)
2020	7,414
	\$ (592,790)

There were no non-employer contributing entities at IPERS.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 6 – PENSION AND RETIREMENT BENEFITS (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 6 – PENSION AND RETIREMENT BENEFITS (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 3,498,362	\$ 1,851,502	\$ 461,383

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the District reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description. An employee who has a minimum of 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. Premiums are based on the full active employee premium rate.

Funding Policy. 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 other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, 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 thirty years.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The following table shows the components of the District’s annual OPEB for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to the plan:

Annual required contribution	\$ 56,216
Interest on net OPEB obligation	3,334
Adjustment to annual required contribution	<u>(9,746)</u>
Annual OPEB cost (Expense)	49,804
Contributions made	<u>(14,924)</u>
Increase in net OPEB obligation	34,880
Net OPEB obligation - beginning of year	133,384
Net OPEB obligation - end of year	<u><u>\$ 168,264</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 49,804	29.97%	\$ 168,264

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2014 was as follows:

Actuarial accrued liability (AAL)	\$ 256,028
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 256,028</u></u>
Covered payroll (active members)	\$ 2,931,100
UAAL as a percentage of covered payroll	8.73%

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the 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.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan 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 and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 8 – 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 \$206,350 for the year ended June 30, 2015, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9 – RISK MANAGEMENT

North 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. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10- CATEGORICAL FUNDING

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Voluntary Four -Year-Old Preschool	\$ 42,477
Teacher Mentoring Program	6,314
Teacher Salary Supplement	77,878
Market Factor	2,727
Professional Development	94,448
Leadership Grant	5,553
Dropout Prevention	36,083
Talented and Gifted	14,972
Total	<u>\$ 280,452</u>

Note 11 – DEFICIT BALANCE

The Nutrition Fund had a deficit fund balance as of June 30, 2015. The reason for this deficit net position is due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – and Amendment of GASB No. 27 during the fiscal year, which requires all school districts and other governmental entities in the state of Iowa who contribute to IPERS to show their proportionate share of the IPERS funding deficit as a liability on each entity's financials beginning in fiscal year 2015. See Note 12, Accounting Change/Restatement/Correction of Error.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 12 – ACCOUNTING CHANGE/RESTATEMENT/CORRECTION OF ERROR

In the current year it was determined that a roof expense for \$132,822 that was paid for in fiscal year 2015 was not properly recorded in the correct fiscal year. This has been corrected and has the following effect on the beginning fund balance during fiscal year June 30, 2015:

Governmental Fund Financial Statements

	PPEL Fund
Beginning Fund Balance, As Previously Reported	\$ 823,196
Correction of Error	(132,822)
Beginning Fund Balance, As Restated	\$ 690,374

Government-Wide Financial Statements

Capital Asset Correction of Error:

During the current year it was determined that there were some assets being over depreciated in prior years by \$35,821.

Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities	Total
Beginning Net Position, as Previously Reported	\$ 7,161,086	\$ (5,564)	\$ 7,155,522
Capital Asset Correction of Error	35,821	-	35,821
Net Pension Liability at July 1, 2014	(2,504,994)	(70,835)	(2,575,829)
Deferred Outflows of Resources related to contributions made after the June 30, 2013 measurement date	265,300	7,502	272,802
Beginning Net Position, As Restated	\$ 4,957,213	\$ (68,897)	\$ 4,888,316

NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 13 – GOVERNMENT MERGER

North Union brings forward the carrying values separately reported in the statements of net position of Armstrong-Ringsted Community School District and Sentral Community School District as of July 1, 2014, and combines the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (including the classifications of net position).

North Union's adjustment to capital assets is for reasons as described in Note 12. North Union also adjusts the pension related deferred outflows and the net pension liability as described in Note 12.

	<u>Statements of Net Position</u>				
	<u>Armstrong- Ringsted CSD</u>	<u>Sentral CSD</u>	<u>Total</u>	<u>Adjustments</u>	<u>Total</u>
Assets					
Cash and Pooled Investments	\$3,897,075	\$ 382,299	\$4,279,374	\$ -	\$ 4,279,374
Receivables	1,245,383	814,441	2,059,824	-	2,059,824
Inventories	9,470	5,833	15,303	-	15,303
Land	20,000	8,000	28,000	-	28,000
Construction in Progress	24,492	-	24,492	-	24,492
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	3,828,669	1,359,223	5,187,892	35,821	5,223,713
Total Assets	<u>9,025,089</u>	<u>2,569,796</u>	<u>11,594,885</u>	<u>35,821</u>	<u>11,630,706</u>
Deferred Outflows of Resources					
Pension Related Deferred Outflows	-	-	-	272,802	272,802
Liabilities					
Accounts Payable	1,096,135	488,533	1,584,668	-	1,584,668
Accrued Wages and Payroll Liabilities	5,334	209,977	215,311	-	215,311
Accrued Interest Payable	5,757	859	6,616	-	6,616
Advances from Grantors	-	8,078	8,078	-	8,078
Unearned Revenue	65,152	-	65,152	-	65,152
Long-Term Liabilities:					-
Debt Due Within One Year:	257,860	50,000	307,860	-	307,860
Debt Due in More Than One Year:	1,940,545	311,133	2,251,678	2,575,829	4,827,507
Total Liabilities	<u>3,370,783</u>	<u>1,068,580</u>	<u>4,439,363</u>	<u>2,575,829</u>	<u>7,015,192</u>
Net Postion					
Net Investment in Capital Assets	1,811,811	1,087,223	2,899,034	35,821	2,934,855
Restricted for:					-
Physical Plant and Equipment Levy	716,791	106,405	823,196	-	823,196
Categorical Funding	95,306	135,094	230,400	-	230,400
School Infrastructure	850,401	118,496	968,897	-	968,897
Student Activities	77,568	10,683	88,251	-	88,251
Debt Service	329,830	9,325	339,155	-	339,155
Management Levy	416,619	30,987	447,606	-	447,606
Unrestricted	1,355,980	3,003	1,358,983	(2,303,027)	(944,044)
Total Net Position	<u>\$5,654,306</u>	<u>\$ 1,501,216</u>	<u>\$7,155,522</u>	<u>\$(2,267,206)</u>	<u>\$ 4,888,316</u>

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**REQUIRED SUPPLEMENTARY
INFORMATION**

**NORTH UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final to Actual Variance
Revenue					
Local Sources:					
Local Taxes	\$ 3,871,713	\$ -	\$ 3,871,713	\$ 3,528,384	\$ 343,329
Tuition	879,737	-	879,737	1,750,000	(870,263)
Other	381,801	108,512	490,313	955,850	(465,537)
State Sources	2,267,184	1,811	2,268,995	2,387,863	(118,868)
Federal Sources	299,265	103,503	402,768	420,000	(17,232)
Total Receipts	<u>7,699,700</u>	<u>213,826</u>	<u>7,913,526</u>	<u>9,042,097</u>	<u>(1,128,571)</u>
Expenditures					
Instruction	4,472,264	-	4,472,264	6,620,790	2,148,526
Support Services	2,210,050	-	2,210,050	3,744,639	1,534,589
Non-Instructional Programs	-	205,028	205,028	301,421	96,393
Other Expenditures	730,627	-	730,627	1,925,260	1,194,633
Total Expenditures	<u>7,412,941</u>	<u>205,028</u>	<u>7,617,969</u>	<u>12,592,110</u>	<u>4,974,141</u>
Excess (Deficiency) of Revenues Over Expenditures	286,759	8,798	295,557	(3,550,013)	3,845,570
Other Financing Sources (Uses)					
Operating Transfers From Other Funds	149,516	-	149,516	245,000	(95,484)
Operating Transfers to Other Funds	(149,516)	-	(149,516)	(245,000)	95,484
Long-Term Debt Proceeds	189,002	-	189,002	193,000	(3,998)
Total Other Financing Sources (Uses)	<u>189,002</u>	<u>-</u>	<u>189,002</u>	<u>193,000</u>	<u>(3,998)</u>
Change in Fund Balance	475,761	8,798	484,559	(3,357,013)	3,841,572
Fund Balance at Beginning of Year	<u>4,090,210</u>	<u>(5,564)</u>	<u>4,084,646</u>	<u>4,084,646</u>	<u>-</u>
Prior Period Adjustment	<u>(132,822)</u>	<u>(63,333)</u>	<u>(196,155)</u>	<u>(196,155)</u>	<u>-</u>
Fund Balance - Beginning of Year, Restated	<u>3,957,388</u>	<u>(68,897)</u>	<u>3,888,491</u>	<u>3,888,491</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 4,433,149</u>	<u>\$ (60,099)</u>	<u>\$ 4,373,050</u>	<u>\$ 531,478</u>	<u>\$ 3,841,572</u>

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 a 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. 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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, there were no budget amendments.

During the year ended June 30, 2015, expenditures did not exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST FISCAL YEAR*
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2015**

	2015
District's proportion of the net pension liability	0.045749%
District's proportionate share of the net pension liability	\$ 1,851,502
District's covered-employee payroll	\$ 3,031,948
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.07%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

NORTH UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

	2015
Statutorily required contribution	\$ 255,328
Contributions in relation to the statutorily required contribution	255,328
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 2,859,201
Contributions as a percentage of covered-employee payroll	8.93%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
YEAR ENDED JUNE 30, 2015**

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
YEAR ENDED JUNE 30, 2015**

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)
2015	7/1/2012	\$ -	\$ 256,028	\$ 256,028	0%	\$ 2,931,100	8.7%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

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**OTHER SUPPLEMENTARY
INFORMATION**

**NORTH UNION COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2015**

SCHEDULE 1

	Special Revenue Funds		Debt Service Fund	Total
	Student Activity	Management	Debt Service	
Assets				
Cash and Cash Equivalents	\$ 107,931	\$ 514,165	\$ 670,026	\$ 1,292,122
Receivables:				
Property Tax	-	1,281	4,806	6,087
Succeeding Year Property Tax	-	150,000	283,015	433,015
Due from Other Governmental Agencies	280	-	-	280
Due from Other Funds	1,573	-	-	1,573
Other	1,798	-	-	1,798
Total Assets	<u>111,582</u>	<u>665,446</u>	<u>957,847</u>	<u>1,734,875</u>
Liabilities				
Accounts Payable	10,898	-	-	10,898
Early Retirement Payable	-	178,270	-	178,270
Due to Other Funds	1,559	1,250	850	3,659
Total Liabilities	<u>12,457</u>	<u>179,520</u>	<u>850</u>	<u>192,827</u>
Deferred Inflows of Resources				
Unavailable Revenues:				
Succeeding Year Property Tax	-	150,000	283,015	433,015
Fund Balances				
Restricted for:				
Student Activities	99,125	-	-	99,125
Debt Service	-	-	673,982	673,982
Management Levy	-	335,926	-	335,926
Total Fund Balances	<u>99,125</u>	<u>335,926</u>	<u>673,982</u>	<u>1,109,033</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 111,582</u>	<u>\$ 665,446</u>	<u>\$ 957,847</u>	<u>\$ 1,734,875</u>

NORTH UNION COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE 2

	Special Revenue Funds		Debt Service Fund	Total
	Student Activity	Management	Debt Service	
Revenues				
Local Sources				
Local Tax	\$ -	\$ 150,069	\$ 602,504	\$ 752,573
Other	200,855	10,203	1,132	212,190
State Revenues	-	581	2,598	3,179
Total Revenues	<u>200,855</u>	<u>160,853</u>	<u>606,234</u>	<u>967,942</u>
Expenditures				
Instruction:				
Regular Instruction	-	66,303	-	66,303
Other Instruction	189,981	-	-	189,981
Support Services:				
Administration Services	-	160,676	1,850	162,526
Operation and Maintenance	-	30,963	-	30,963
Transportation Services	-	12,663	-	12,663
Other Expenditures:				
Long-Term Debt				
Principal	-	-	340,321	340,321
Interest and Fiscal Charges	-	-	46,626	46,626
Total Expenditures	<u>189,981</u>	<u>270,605</u>	<u>388,797</u>	<u>849,383</u>
Excess (Deficiency) of Revenues Over Expenditures	10,874	(109,752)	217,437	118,559
Other Financing Sources (Uses)				
Transfers In	-	-	110,774	110,774
Transfers Out	-	(2,197)	-	(2,197)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(2,197)</u>	<u>110,774</u>	<u>108,577</u>
Net Change in Fund Balances	10,874	(111,949)	328,211	227,136
Fund Balances at Beginning of Year	<u>88,251</u>	<u>447,875</u>	<u>345,771</u>	<u>881,897</u>
Fund Balances at End of Year	<u>\$ 99,125</u>	<u>\$ 335,926</u>	<u>\$ 673,982</u>	<u>\$ 1,109,033</u>

**NORTH UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Assets				
Cash	\$ 14,866	\$ 29,501	\$ 24,074	\$ 20,293
Liabilities				
Other Payables	\$ 14,866	\$ 29,501	\$ 24,074	\$ 20,293

NORTH UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE 4

	Balance July 1, 2014	Revenues and Interfund Transfers	Expenditures	Balance June 30, 2015
Senior High/Junior High	\$ 48,502	\$ 52,971	\$ 56,898	\$ 44,575
Athletics	32,054	110,092	102,217	39,929
Elementary	7,695	37,792	30,866	14,621
Total for Activity Funds	<u>\$ 88,251</u>	<u>\$ 200,855</u>	<u>\$ 189,981</u>	<u>\$ 99,125</u>

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

Modified Accrual Basis of Accounting	
2015	
Revenues:	
Local Sources:	
Local Tax	\$ 3,871,713
Tuition	879,737
Other	381,801
State Sources	2,267,184
Federal Sources	299,265
	\$ 7,699,700
 Expenditures:	
Instruction:	\$ 4,472,264
Support Services:	
Student Services	35,475
Instructional Staff Services	105,112
Administration Services	762,473
Operations and Maintenance	738,727
Transportation Services	568,263
Other Expenditures:	
Facilities Acquisition	137,330
Long-term Debt:	
Principal	340,321
Interest and Other Charges	46,626
AEA Flowthrough	206,350
	\$ 7,412,941

Note: GASB Statement No. 34 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.



**Independent Auditors' 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
North Union Community School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of North Union Community School District, Armstrong Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 14, 2016.

Internal Control Over Financial Reporting

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

A *deficiency* in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and is not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings, 2015-001 and 2015-002, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North 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 that are described in Part III of the accompanying Schedule of Findings.

North Union Community School District's Response to Findings

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

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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity'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 North 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.

Williams+Company, P.C.
Certified Public Accountants

Spencer, Iowa
March 14, 2016

**NORTH UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015**

PART I – SUMMARY OF INDEPENDENT AUDITORS’ RESULTS

- (A) An unmodified opinion was issued on the financial statements.
- (B) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (C) The audit did not disclose any non-compliance, which is material to the financial statements.

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE: No matters were reported.

MATERIAL WEAKNESSES:

2015-001 Financial Reporting

Criteria – The District is responsible for the accuracy and correct reporting of the financial statements.

Condition - During our audit, we identified material payables, fund balance, revenues and expenses, and immaterial prepaids and receivables not recorded properly in the District’s financial statements. Adjustments were subsequently made by the District to properly include those amounts in the financial statements.

Effect - As a result of these misstatements, the financial statements were materially misstated.

Recommendation – The District should implement procedures to ensure all prepaids, receivables, payables, fund balance, revenues, and expenses are identified and included in the District’s financial statements.

Response – The District will review these in the future to avoid missing any of these transactions.

Conclusion – Response accepted.

2015-002 Segregation of Duties

Criteria – The District is responsible for the establishment of adequate segregation of duties to help prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District’s financial statements.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015**

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

Condition - The District has a small accounting staff and accordingly has not been able to achieve full segregation of duties over all accounting transactions. Employees who handle cash receipts are also involved with the posting of payments and reconciling the bank statements.

Effect - As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period. Internal controls that are in place could be averted, overridden, or not consistently implemented.

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

Response – The District feels that additional personnel would not be cost effective. Management and the school board of the newly reorganized North Union CSD will review procedures and investigate available alternatives.

Conclusion – Response accepted.

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

15-III-A: Certified Budget – Disbursements for the year ended June 30, 2015 did not exceed the certified budget amounts.

15-III-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.

15-III-C: Travel Expense – No expenditures of North Union Community School District were for travel expenses of spouses of District officials or employees.

15-III-D: Business Transactions – Business transactions between the District and the District officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Kathy Dacken, Staff Member - Spouse of owner of Dacken & Associates Insurance and Financial Services	Property Insurance	\$ 96,051

In accordance with the Code of Iowa, the above transaction may represent a conflict of interest since the total received during the fiscal year is greater than \$2,500. This transaction may represent a conflict of interest and the District should contact legal council for determination.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED)**

15-III-E: Bond Coverage - Surety bond coverage of North Union Community School District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

15-III-F: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.

15-III-G: Certified Enrollment – The number of resident students reported to the Iowa Department of Education on the Certified Enrollment Certification Form for October of 2014 was overstated. The District's certified enrollment count included 1 student who was funded but not enrolled.

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

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

15-III-H: Supplementary Weighting – Seven variances regarding the supplementary weighting certified to the Iowa Department of Education were noted. Due to having the Whole-Grade Sharing agreement, the classes of Personal Finance, Fashion Construction, Fashion Design, Housing & Interior Design, Foods 1, Foods 2 and Band are not eligible for non-district teacher funding. This results in a variance of -1.589.

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

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

15-III-I: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

15-III-J: Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.

15-III-K: Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED)**

15-III-L: Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provision of chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District’s reported the following information regarding the statewide sales, services, and use tax revenue in the District’s CAR including adjustments identified during the fiscal year 2015 audit.

Beginning Balance		\$ 968,897
Statewide Sales and Services Tax Revenue	412,050	
Other	15,073	<u>427,123</u>
		1,396,020
Expenditures/Transfers Out:		
School Infrastructure:		
Facilities Acquisition	137,330	<u>137,330</u>
Ending Balance		<u><u>\$ 1,258,690</u></u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

15-III-M: Deficit Balances – The Nutrition Fund had a deficit balance at June 30, 2015.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit.

Response – The implementation of GASB Statement No. 68 had a negative impact on the Nutrition Fund. We will consider alternatives to eliminate the deficits.

Conclusion – Response accepted.

15-III-N: Student Activity Fund: - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District’s education program. All moneys in Student Activity Fund appear to be extracurricular or co-curricular in nature.