

EAST UNION COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Notes to Financial Statements		27-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
Schedule of the District's Proportionate Share of the Net Pension Liability		47
Schedule of District Contributions		48
Notes to Required Supplementary Information - Pension Liability		49-50
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	53
Capital Projects Accounts:		
Combining Balance Sheet	3	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	55
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	56
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6	57
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		58-59
Schedule of Findings		60-63

East Union Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Brett Weis	President	2015
Kenneth Hagen	Vice President	2017
Jeanna McKinney	Board Member (Resigned September 2014)	2015
Judith Wachter	Board Member (Appointed September 2014)	2015
Mike Rollings	Board Member	2017
Rex Kelly	Board Member	2017

School Officials

Dr. Pam Vogel	Superintendent	2015
Rhiannon Tessum	Business Manager/Board Secretary	2015
Ahlers & Cooney, P.C.	Attorney	2015

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Union Community School District, Afton, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Union Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Emphasis of Matter

As discussed in Note 15 to the financial statements, East Union Community School District adopted new accounting guidance related to Government 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.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Union Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2016 on our consideration of East Union Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering East Union Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Union Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,365,488 during fiscal year 2014 to \$6,043,612 during fiscal year 2015, while General Fund expenditures increased from \$5,813,346 during fiscal year 2014 to \$6,111,054 during fiscal year 2015. The District's General Fund balance decreased from deficit \$143,588 at June 30, 2014 to deficit \$211,030 at June 30, 2015, a 46.97% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in state revenues received during fiscal year 2015. The increase in expenditures was due primarily to increases in the instruction expenditures incurred as compared to the previous year.

USING THIS ANNUAL REPORT

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

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

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

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

Notes to 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.

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.

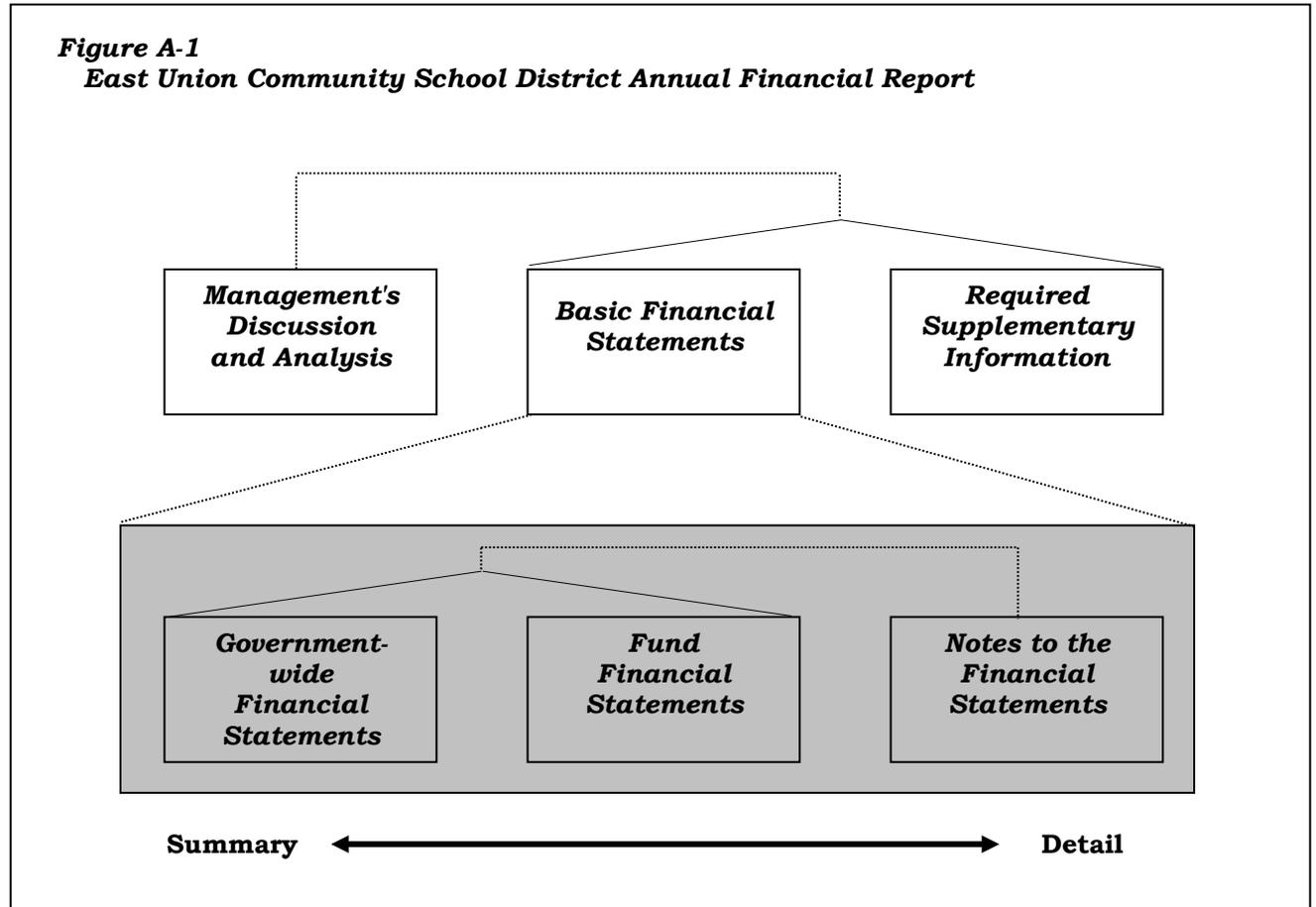


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service
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
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net position at June 30, 2015 compared to June 30, 2014.

	Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15	
Current and other assets	\$ 3,560,355	3,462,116	132,726	117,065	3,693,081	3,579,181	3.18%	
Capital assets	9,119,223	8,922,179	39,504	36,477	9,158,727	8,958,656	2.23%	
Total assets	12,679,578	12,384,295	172,230	153,542	12,851,808	12,537,837	2.50%	
Deferred outflows of resources	497,714	-	32,428	-	530,142	-	100.00%	
Long-term liabilities	6,581,723	4,691,152	139,842	728	6,721,565	4,691,880	43.26%	
Other liabilities	483,741	373,086	22,194	16,100	505,935	389,186	30.00%	
Total liabilities	7,065,464	5,064,238	162,036	16,828	7,227,500	5,081,066	42.24%	
Deferred inflows of resources	3,136,398	2,251,466	53,332	-	3,189,730	2,251,466	41.67%	
Net position:								
Net investment in capital assets	4,510,077	4,243,082	39,504	36,477	4,549,581	4,279,559	6.31%	
Restricted	735,032	874,411	-	-	735,032	874,411	-15.94%	
Unrestricted	(2,269,679)	(48,902)	(50,214)	100,237	(2,319,893)	51,335	-4619.13%	
Total net position	\$ 2,975,430	5,068,591	(10,710)	136,714	2,964,720	5,205,305	-43.04%	

The District's combined net position decreased by 43.04% or \$2,240,585 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$139,379 or 15.94% from the prior year. The decrease was primarily a result of the decrease in the Capital Projects Accounts balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$2,371,228 or 4619.13%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,362,000 and \$167,449, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in the District's net position for the year ended June 30, 2015, compared to the year ended June 30, 2014.

	Figure A-4 Changes of Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 539,982	443,712	237,914	209,695	777,896	653,407	19.05%
Operating grants, contributions and restricted interest	673,809	635,210	224,285	280,513	898,094	915,723	-1.93%
Capital grants, contributions and restricted interest	11,378	5,091	-	-	11,378	5,091	123.49%
General revenues:							
Property tax	2,266,846	2,220,432	-	-	2,266,846	2,220,432	2.09%
Income surtax	266,079	235,100	-	-	266,079	235,100	13.18%
Statewide sales, services and use tax	487,578	425,921	-	-	487,578	425,921	14.48%
Unrestricted state grants	2,905,496	2,428,766	-	-	2,905,496	2,428,766	19.63%
Unrestricted investment earnings	171	305	16	12	187	317	-41.01%
Other general revenue	73,699	41,688	3,960	1,539	77,659	43,227	79.65%
Total revenues	<u>7,225,038</u>	<u>6,436,225</u>	<u>466,175</u>	<u>491,759</u>	<u>7,691,213</u>	<u>6,927,984</u>	<u>11.02%</u>
Program expenses:							
Instructional	4,453,735	4,234,777	-	-	4,453,735	4,234,777	5.17%
Support services	1,850,112	2,006,610	62,104	85,635	1,912,216	2,092,245	-8.60%
Non-instructional programs	-	-	384,046	414,728	384,046	414,728	-7.40%
Other expenses	652,352	634,054	-	-	652,352	634,054	2.89%
Total expenses	<u>6,956,199</u>	<u>6,875,441</u>	<u>446,150</u>	<u>500,363</u>	<u>7,402,349</u>	<u>7,375,804</u>	<u>0.36%</u>
Change in net position	268,839	(439,216)	20,025	(8,604)	288,864	(447,820)	-164.50%
Net position beginning of year, as restated	<u>2,706,591</u>	<u>5,507,807</u>	<u>(30,735)</u>	<u>145,318</u>	<u>2,675,856</u>	<u>5,653,125</u>	<u>-52.67%</u>
Net position end of year	<u>\$ 2,975,430</u>	<u>5,068,591</u>	<u>(10,710)</u>	<u>136,714</u>	<u>2,964,720</u>	<u>5,205,305</u>	<u>-43.04%</u>

Local tax, statewide sales, services and use tax and unrestricted state grants accounted for 82.02% of governmental activities revenue while charges for service and operation grants, contributions and restricted interest accounted for almost all of business type activities revenue.

The District's total revenues were \$7.69 million, of which approximately \$7.22 million was for governmental activities and approximately \$0.47 million was for business type activities.

As shown in figure A-4, the District as a whole experienced a 11.02% increase in revenues and an 0.36% increase in expenses. The increase in expenses is related to increases in instructional and other expenditures functional areas expenditures.

Governmental Activities

Revenues for governmental activities were \$7,225,038 and expenses were \$6,956,199 for the year ended June 30, 2015. The revenues increased in the governmental activities by \$788,813 mainly due to an increase in state grant revenue received by the District during fiscal year 2015.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 4,453,735	4,234,777	5.17%	3,494,376	3,401,651	2.73%
Support services	1,850,112	2,006,610	-7.80%	1,789,285	1,947,979	-8.15%
Other expenses	652,352	634,054	2.89%	447,369	441,798	1.26%
Totals	\$ 6,956,199	6,875,441	1.17%	5,731,030	5,791,428	-1.04%

- The cost financed by users of the District’s programs was \$539,982.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$685,187.
- The net cost of governmental activities was financed with \$2,266,846 in property tax, \$266,079 in income surtax, \$487,578 in statewide sales, services and use tax, \$2,905,496 in unrestricted state grants, \$171 in interest income and \$73,699 in other general revenue.

Business Type Activities

Revenues of the District’s business type activities were \$466,175 and expenses were \$466,150. The District’s business type activities include the School Nutrition Fund and the Early Childhood Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$478,204 down from last year’s ending fund balances of \$651,241. The primary reason for the decrease in the combined fund balance at the end of fiscal year 2015 is the decrease in the General Fund balance.

Governmental Fund Highlights

- The District’s General Fund balance decreased from deficit \$143,588 on June 30, 2014 to a deficit \$211,030 on June 30, 2015. The fluctuation in the District’s General Fund financial position is the product of many factors. An increase in revenues from state sources contributed to an overall increase in revenues during fiscal year 2015. Despite this increase, expenditures continued to outpace revenues causing a 46.97% decrease in fund balance during the year.
- The Capital Projects Fund balance decreased from a balance of \$546,103 at June 30, 2014 to \$413,183 at June 30, 2015. The decrease in fund balance resulted mainly from an increase in expenditures during fiscal 2015 as compared to the prior year year.
- The Debt Service Fund balance increased from \$128,861 at June 30, 2014 to \$131,917 at June 30, 2015, an increase of 2.37%.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$16,343 restated at July 1, 2014 to \$28,706 at June 30, 2015, representing a percentage increase of 75.65%. The Early Childhood Fund net position increased from deficit \$47,078 restated at July 1, 2014 to deficit \$39,416 at June 30, 2015, representing a percentage increase of 16.28%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$77,954 less than budgeted revenues, a variance of 1.01%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$9,158,727, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 2.23% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$334,565.

Figure A-6							
Capital Assets, Net of Depreciation							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 14,205	14,205	-	-	14,205	14,205	0.00%
Buildings	8,249,681	8,384,805	-	-	8,249,681	8,384,805	-1.61%
Land improvements	543,692	326,129	-	-	543,692	326,129	66.71%
Machinery and equipment	311,645	197,040	39,504	36,477	351,149	233,517	50.37%
Total	\$ 9,119,223	8,922,179	39,504	36,477	9,158,727	8,958,656	2.23%

The original cost of the District's capital assets was \$12,629,890. Governmental funds accounted for \$12,523,252 with the remainder of \$106,638 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The land improvements category totaled \$326,129 at June 30, 2014, compared to \$543,692 reported at June 30, 2015. This increase is a due to an addition of a new stadium lighting project.

Long-Term Debt

At June 30, 2015, the District had long-term debt outstanding of \$6,721,565 in general obligation bonds, revenue bonds and other long-term debt outstanding (See Figure A-7). Additional detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$3,370,000 at June 30, 2015.

The District had outstanding revenue bonded indebtedness of \$1,050,000 at June 30, 2015.

The District had outstanding bus loans of \$189,146 at June 30, 2015.

The District had total net pension liability of \$2,112,419 at June 30, 2015. Governmental activities account for \$1,972,577 and business type activities account for \$139,842.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
General obligation bonds	\$ 3,370,000	3,520,000	-	-	3,370,000	3,520,000	-4.26%
Revenue bonds	1,050,000	1,100,000	-	-	1,050,000	1,100,000	-4.55%
Bus loans	189,146	59,097	-	-	189,146	59,097	220.06%
Net pension liability	1,972,577	-	139,842	-	2,112,419	-	100.00%
Compensated absences	-	9,600	-	620	-	10,220	-100.00%
Net OPEB liability	-	2,455	-	108	-	2,563	-100.00%
Total	\$ 6,581,723	4,691,152	139,842	728	6,721,565	4,691,880	43.26%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District will continue to consider and seek financing sources to support the shortfalls from the state.
- The supplemental state aid for the 2014-15 school year was set at four percent. The supplemental state aid was set at one point two five percent for the 2015-16 school year. However, the supplemental state aid for the 2016-17 school year has not been set.
- The District will be negotiating a new collective bargaining agreement during fiscal 2016. Settlements in the excess of "new money" or Supplemental State Aid will have an adverse effect on the District's Fund budget and related fund balances.
- The District is reducing staff costs through attrition and program changes.
- Low allowable growth over several years and possible enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rhiannon Tessum, Business Manager/District Board Secretary/Treasurer, East Union Community School District, 1916 High School Drive, Afton, Iowa, 50830.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 619,435	119,017	738,452
Receivables:			
Property tax:			
Delinquent	47,890	-	47,890
Succeeding year	2,384,114	-	2,384,114
Income surtax	229,888	-	229,888
Accounts	16,660	21	16,681
Due from other governments	251,561	9,718	261,279
Inventories	-	3,360	3,360
Net OPEB asset	10,807	610	11,417
Capital assets, net of accumulated depreciation	9,119,223	39,504	9,158,727
Total assets	12,679,578	172,230	12,851,808
Deferred Outflows of Resources			
Pension related deferred outflows	497,714	32,428	530,142
Liabilities			
Accounts payable	313,766	3,761	317,527
Salaries and benefits payable	141,338	11,880	153,218
Advances from grantors	2,238	-	2,238
Accrued interest payable	26,399	-	26,399
Unearned revenue	-	6,553	6,553
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	160,000	-	160,000
Revenue bonds payable	50,000	-	50,000
Bus loans payable	47,145	-	47,145
Portion due after one year:			
General obligation bonds payable	3,210,000	-	3,210,000
Revenue bonds payable	1,000,000	-	1,000,000
Bus loans payable	142,001	-	142,001
Net pension liability	1,972,577	139,842	2,112,419
Total liabilities	7,065,464	162,036	7,227,500
Deferred Inflows of Resources			
Pension related deferred inflows	752,284	53,332	805,616
Unavailable property tax revenue	2,384,114	-	2,384,114
Total deferred inflows of resources	3,136,398	53,332	3,189,730
Net Position			
Net investment in capital assets	4,510,077	39,504	4,549,581
Restricted for:			
Categorical funding	71,909	-	71,909
Debt service	105,518	-	105,518
Management levy purposes	22,836	-	22,836
Student activities	121,586	-	121,586
School infrastructure	345,549	-	345,549
Physical plant and equipment	67,634	-	67,634
Unrestricted	(2,269,679)	(50,214)	(2,319,893)
Total net position	\$ 2,975,430	(10,710)	2,964,720

SEE NOTES TO FINANCIAL STATEMENTS.

**EAST UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,815,018	237,033	87,725	-	(2,490,260)	(2,490,260)
Special	738,059	123,861	25,388	-	(588,810)	(588,810)
Other	900,658	131,170	354,182	-	(415,306)	(415,306)
	<u>4,453,735</u>	<u>492,064</u>	<u>467,295</u>	<u>-</u>	<u>(3,494,376)</u>	<u>(3,494,376)</u>
Support services:						
Student	53,167	-	-	-	(53,167)	(53,167)
Instructional staff	251,793	-	-	-	(251,793)	(251,793)
Administration	619,017	28,206	-	-	(590,811)	(590,811)
Operation and maintenance of plant	542,149	-	-	11,378	(530,771)	(530,771)
Transportation	383,986	19,712	1,531	-	(362,743)	(362,743)
	<u>1,850,112</u>	<u>47,918</u>	<u>1,531</u>	<u>11,378</u>	<u>(1,789,285)</u>	<u>(1,789,285)</u>
Long-term debt interest	196,865	-	-	-	(196,865)	(196,865)
Other expenditures:						
AEA flowthrough	204,983	-	204,983	-	-	-
Depreciation(unallocated)*	250,504	-	-	-	(250,504)	(250,504)
	<u>455,487</u>	<u>-</u>	<u>204,983</u>	<u>-</u>	<u>(250,504)</u>	<u>(250,504)</u>
Total governmental activities	<u>6,956,199</u>	<u>539,982</u>	<u>673,809</u>	<u>11,378</u>	<u>(5,731,030)</u>	<u>(5,731,030)</u>
Business type activities:						
Support services:						
Administration	60,911	-	-	-	-	(60,911)
Operation and maintenance of plant	1,193	-	-	-	-	(1,193)
Non-instructional programs:						
Food service operations	299,003	115,415	193,168	-	-	9,580
Other enterprise operations	85,043	122,499	31,117	-	-	68,573
Total business type activities	<u>446,150</u>	<u>237,914</u>	<u>224,285</u>	<u>-</u>	<u>-</u>	<u>16,049</u>
Total	<u>\$ 7,402,349</u>	<u>777,896</u>	<u>898,094</u>	<u>11,378</u>	<u>(5,731,030)</u>	<u>16,049</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,917,125	-	1,917,125
Debt service				303,178	-	303,178
Capital outlay				46,543	-	46,543
Income surtax				266,079	-	266,079
Statewide sales, services and use tax				487,578	-	487,578
Unrestricted state grants				2,905,496	-	2,905,496
Unrestricted investment earnings				171	16	187
Other				73,699	3,960	77,659
Total general revenues				<u>5,999,869</u>	<u>3,976</u>	<u>6,003,845</u>
Change in net position				268,839	20,025	288,864
Net position beginning of year, as restated				<u>2,706,591</u>	<u>(30,735)</u>	<u>2,675,856</u>
Net position end of year				<u>\$ 2,975,430</u>	<u>(10,710)</u>	<u>2,964,720</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 151,711	129,968	197,837	139,919	619,435
Receivables:					
Property tax:					
Delinquent	37,524	983	6,405	2,978	47,890
Succeeding year	1,941,788	47,203	255,123	140,000	2,384,114
Income surtax	229,888	-	-	-	229,888
Accounts	7,690	-	-	8,970	16,660
Due from other funds	-	295,000	-	-	295,000
Due from other governments	175,690	75,871	-	-	251,561
Total assets	\$ 2,544,291	549,025	459,365	291,867	3,844,548
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Due to other funds	\$ 295,000	-	-	-	295,000
Accounts payable	145,069	88,639	72,325	7,733	313,766
Salaries and benefits payable	141,338	-	-	-	141,338
Advances from grantors	2,238	-	-	-	2,238
Total liabilities	583,645	88,639	72,325	7,733	752,342
Deferred inflows of resources					
Unavailable revenues:					
Succeeding year property tax	1,941,788	47,203	255,123	140,000	2,384,114
Income surtax	229,888	-	-	-	229,888
Total deferred inflows of resources	2,171,676	47,203	255,123	140,000	2,614,002
Fund balances:					
Restricted for:					
Categorical funding	71,909	-	-	-	71,909
Debt service	-	-	131,917	-	131,917
Management levy purposes	-	-	-	22,836	22,836
Student activities	-	-	-	121,586	121,586
School infrastructure	-	345,549	-	-	345,549
Physical plant and equipment	-	67,634	-	-	67,634
Unassigned:					
General	(282,939)	-	-	-	(282,939)
Student activities	-	-	-	(288)	(288)
Total fund balances	(211,030)	413,183	131,917	144,134	478,204
Total liabilities, deferred inflows of resources and fund balances	\$ 2,544,291	549,025	459,365	291,867	3,844,548

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 20)	\$	478,204
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		9,119,223
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(26,399)
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.		10,807
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 in the governmental funds, as follows:		
Deferred outflows of resources	\$ 497,714	
Deferred inflows of resources	<u>(752,284)</u>	(254,570)
Accounts receivable income surtax are not yet available to to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		229,888
Long-term liabilities, including bonds payable, bus loans payable, and net pension liability are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		<u>(6,581,723)</u>
Net position of governmental activities (page 18)	\$	<u>2,975,430</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,024,584	46,543	303,178	140,957	2,515,262
Tuition	345,626	-	-	-	345,626
Other	175,233	5,328	8	174,071	354,640
State sources	3,281,296	487,578	-	-	3,768,874
Federal sources	216,873	6,100	-	-	222,973
Total revenues	<u>6,043,612</u>	<u>545,549</u>	<u>303,186</u>	<u>315,028</u>	<u>7,207,375</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,667,461	-	-	152,491	2,819,952
Special	758,050	-	-	-	758,050
Other	807,729	-	-	137,679	945,408
	<u>4,233,240</u>	<u>-</u>	<u>-</u>	<u>290,170</u>	<u>4,523,410</u>
Support services:					
Student	55,608	-	-	-	55,608
Instructional staff	181,153	75,737	-	-	256,890
Administration	646,202	6,968	-	-	653,170
Operation and maintenance of plant	451,097	52	-	-	451,149
Transportation	338,771	191,621	-	589	530,981
	<u>1,672,831</u>	<u>274,378</u>	<u>-</u>	<u>589</u>	<u>1,947,798</u>
Capital outlay	-	437,902	-	-	437,902
Long-term debt:					
Principal	-	-	239,072	-	239,072
Interest	-	-	196,368	-	196,368
	<u>-</u>	<u>-</u>	<u>435,440</u>	<u>-</u>	<u>435,440</u>
Other expenditures:					
AEA flowthrough	204,983	-	-	-	204,983
Total expenditures	<u>6,111,054</u>	<u>712,280</u>	<u>435,440</u>	<u>290,759</u>	<u>7,549,533</u>
Excess(Deficiency) of revenues over(under) expenditures	(67,442)	(166,731)	(132,254)	24,269	(342,158)
Other financing sources(uses):					
Transfer in	-	-	135,310	-	135,310
Transfer out	-	(135,310)	-	-	(135,310)
Proceeds from bus loans	-	169,121	-	-	169,121
Total other financing sources(uses)	<u>-</u>	<u>33,811</u>	<u>135,310</u>	<u>-</u>	<u>169,121</u>
Change in fund balances	(67,442)	(132,920)	3,056	24,269	(173,037)
Fund balances beginning of year	<u>(143,588)</u>	<u>546,103</u>	<u>128,861</u>	<u>119,865</u>	<u>651,241</u>
Fund balances end of year	<u>\$ (211,030)</u>	<u>413,183</u>	<u>131,917</u>	<u>144,134</u>	<u>478,204</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds (page 22) \$ (173,037)

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

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

Expenditures for capital assets	\$ 524,564	
Depreciation expense	<u>(327,520)</u>	197,044

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Issued	(169,121)	
Repaid	<u>239,072</u>	69,951

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (497)

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 17,663

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 302,709

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

Compensated absences	\$ 9,600	
Pension expense	(167,856)	
Other postemployment benefits	<u>13,262</u>	<u>(144,994)</u>

Change in net position of governmental activities (page 19) \$ 268,839

SEE NOTES TO FINANCIAL STATEMENTS.

EAST UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type Activities: Nonmajor Enterprise Funds		
	School Nutrition	Early Childhood	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 63,220	55,797	119,017
Accounts receivable	21	-	21
Due from other governments	7,563	2,155	9,718
Inventories	3,360	-	3,360
Total current assets	74,164	57,952	132,116
Non-current assets:			
Net OPEB asset	271	339	610
Capital assets, net of accumulated depreciation	39,504	-	39,504
Total noncurrent assets	39,775	339	40,114
Total assets	113,939	58,291	172,230
Deferred Outflows of Resources			
Pension related deferred outflows	17,185	15,243	32,428
Liabilities			
Current liabilities:			
Accounts payable	3,152	609	3,761
Salaries and benefits payable	2,546	9,334	11,880
Unearned revenue	6,553	-	6,553
Total current liabilities	12,251	9,943	22,194
Non-current liabilities:			
Net pension liability	65,273	74,569	139,842
Total liabilities	77,524	84,512	162,036
Deferred Inflows of Resources			
Pension related deferred inflows	24,894	28,438	53,332
Net Position			
Net investment in capital assets	39,504	-	39,504
Unrestricted	(10,798)	(39,416)	(50,214)
Total net position	\$ 28,706	(39,416)	(10,710)

SEE NOTES TO FINANCIAL STATEMENTS.

EAST UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business Type Activities:		
	Nonmajor Enterprise Funds		
	School Nutrition	Early Childhood	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 115,415	122,499	237,914
Miscellaneous	3,960	-	3,960
Total operating revenues	<u>119,375</u>	<u>122,499</u>	<u>241,874</u>
Operating expenses:			
Support services:			
Administration:			
Salaries	-	48,623	48,623
Benefits	-	12,288	12,288
Operation and maintenance of plant:			
Services	1,193	-	1,193
	<u>1,193</u>	<u>60,911</u>	<u>62,104</u>
Non-instructional programs:			
Food service operations:			
Salaries	120,804	-	120,804
Benefits	21,119	-	21,119
Supplies	149,270	-	149,270
Other	767	-	767
Depreciation	7,043	-	7,043
Other enterprise operations:			
Salaries	-	41,788	41,788
Benefits	-	14,141	14,141
Supplies	-	29,114	29,114
	<u>299,003</u>	<u>85,043</u>	<u>384,046</u>
Total operating expenses	<u>300,196</u>	<u>145,954</u>	<u>446,150</u>
Operating loss	(180,821)	(23,455)	(204,276)
Non-operating revenues:			
Interest income	16	-	16
State sources	2,581	1,997	4,578
Federal sources	190,587	29,120	219,707
Total non-operating revenues	<u>193,184</u>	<u>31,117</u>	<u>224,301</u>
Change in net position	12,363	7,662	20,025
Net position beginning of year, as restated	<u>16,343</u>	<u>(47,078)</u>	<u>(30,735)</u>
Net position end of year	<u>\$ 28,706</u>	<u>(39,416)</u>	<u>(10,710)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business Type Activities: Nonmajor Enterprise Funds		
	School Nutrition	Early Childhood	Total
Cash flows from operating activities:			
Cash received from operating activities*	\$ 116,649	123,767	240,416
Cash received from miscellaneous	3,960	-	3,960
Cash payments to employees for services	(147,081)	(112,635)	(259,716)
Cash payments to suppliers for goods or services	(130,515)	(28,807)	(159,322)
Net cash used by operating activities	(156,987)	(17,675)	(174,662)
Cash flows from non-capital financing activities:			
State grants received	2,581	1,997	4,578
Federal grants received	172,083	30,958	203,041
Net cash provided by non-capital financing activities	174,664	32,955	207,619
Cash flows from capital financing activities:			
Purchase of capital assets	(10,070)	-	(10,070)
Cash flows from investing activities:			
Interest on investments	16	-	16
Net increase in cash and cash equivalents	7,623	15,280	22,903
Cash and cash equivalents beginning of year	55,597	40,517	96,114
Cash and cash equivalents end of year	\$ 63,220	55,797	119,017
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (180,821)	(23,455)	(204,276)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	16,634	-	16,634
Depreciation	7,043	-	7,043
Decrease in inventories	6,637	-	6,637
Decrease(Increase) in accounts receivable	(21)	1,268	1,247
(Decrease)Increase in accounts payable	(2,556)	307	(2,249)
Increase in salaries and benefits payable	958	6,130	7,088
Increase in unearned revenue	1,255	-	1,255
Decrease in accrued compensated absences	(620)	-	(620)
Decrease in net pension liability	(22,504)	(25,708)	(48,212)
Increase in deferred outflows of resources	(7,567)	(4,256)	(11,823)
Increase in deferred inflows of resources	24,894	28,438	53,332
Decrease in other postemployment benefits	(319)	(399)	(718)
Net cash used by operating activities	\$ (156,987)	(17,675)	(174,662)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$16,634 of federal commodities.

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's long-term debt.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Intangibles	25,000
Machinery and equipment:	
Other machinery and equipment	1,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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.

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.

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

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

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

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

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction functional areas.

Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2015 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$194,008 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were both rated AAA by Standard & Poor's Financial Services.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2015 are as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects: Statewide Sales, Services and Use Tax	General	\$ 254,000
Capital Projects: Physical Plant and Equipment Levy	General	41,000
Total		<u>\$ 295,000</u>

The General Fund is repaying the Capital Projects: Statewide Sales, Services and Use Tax and Capital Projects: Physical Plant and Equipment Levy for money borrowed for salaries and benefits and not repaid by the end of the year.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 94,642
Debt Service	Capital Projects: Physical Plant and Equipment Levy	40,668
Total		<u>\$ 135,310</u>

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

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

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 96,568	10,070	-	106,638
Less accumulated depreciation	60,091	7,043	-	67,134
Business type activities capital assets, net	<u>\$ 36,477</u>	<u>3,027</u>	-	<u>39,504</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,205	-	-	14,205
Total capital assets not being depreciated	14,205	-	-	14,205
Capital assets being depreciated:				
Buildings	10,216,609	81,475	-	10,298,084
Land improvements	503,127	251,468	-	754,595
Machinery and equipment	1,313,511	191,621	48,764	1,456,368
Total capital assets being depreciated	12,033,247	524,564	48,764	12,509,047
Less accumulated depreciation for:				
Buildings	1,831,804	216,599	-	2,048,403
Land improvements	176,998	33,905	-	210,903
Machinery and equipment	1,116,471	77,016	48,764	1,144,723
Total accumulated depreciation	3,125,273	327,520	48,764	3,404,029
Total capital assets being depreciated, net	8,907,974	197,044	-	9,105,018
Governmental activities capital assets, net	\$ 8,922,179	197,044	-	9,119,223

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 17,434
Instructional staff		1,048
Operation and maintenance of plant		4,704
Transportation		53,830
		77,016
Unallocated depreciation		250,504
Total governmental activities depreciation expense		\$ 327,520
Business type activities:		
Food service operations		\$ 7,043

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,520,000	-	150,000	3,370,000	160,000
Revenue bonds	1,100,000	-	50,000	1,050,000	50,000
Bus loans	59,097	169,121	39,072	189,146	47,145
Compensated absences	9,600	-	9,600	-	-
Net pension liability	2,652,641	-	680,064	1,972,577	-
Net OPEB liability	2,455	-	2,455	-	-
Total	\$ 7,343,793	169,121	931,191	6,581,723	257,145
Business type activities:					
Compensated absences	\$ 620	-	620	-	-
Net OPEB liability	108	-	108	-	-
Net pension liability	188,054	-	48,212	139,842	-
Total	\$ 188,782	-	48,940	139,842	-

General Obligation Bonds Payable

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue May 1, 2010				
	Interest Rate		Principal	Interest	Total
2016	4.00	% \$	160,000	143,622	303,622
2017	4.00		165,000	137,223	302,223
2018	4.00		175,000	130,622	305,622
2019	4.00		185,000	123,623	308,623
2020	4.00		190,000	116,222	306,222
2021-2025	4.00-4.15		1,100,000	458,883	1,558,883
2026-2030	4.30-4.75		1,395,000	200,992	1,595,992
Total			\$ 3,370,000	1,311,187	4,681,187

Revenue Bonds Payable

Details of the District's June 30, 2015 revenue bonds indebtedness is as follows:

Year Ending June 30,	Bond issue February 25, 2010				
	Interest Rates		Principal	Interest	Total
2016	2.00	% \$	50,000	44,150	94,150
2017	3.00		50,000	42,900	92,900
2018	3.00		50,000	41,400	91,400
2019	3.25		50,000	39,837	89,837
2020	3.25		50,000	38,150	88,150
2021-2025	3.50-4.20		400,000	153,413	553,413
2026-2030	4.30-4.70		400,000	58,275	458,275
Total			\$ 1,050,000	418,125	1,468,125

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,200,000 issued on February 25, 2010. The 2010 bonds were issued for the purpose of construction of a new elementary building. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 20% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,468,125. For the current year, principal and interest was paid on the bonds of \$95,150, and the statewide sales, services and use tax revenue was \$487,578.

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

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

Bus Loans Payable

During the year ended June 30, 2012, the District entered into a contract for school buses. During the year ended June 30, 2015, the District entered into two contracts for school buses. Details of the obligations, which is payable from the Capital Projects Fund: Physical Plant and Equipment Levy Fund are as follows:

Year Ending June 30,	Loan issue April 10, 2012			Loan issue October 9, 2014			Loan issue April 14, 2015			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2016	2.00 %	\$ 20,025	1,164	2.70 %	\$ 27,120	2,236	% \$	-	-	47,145	3,400	50,545
2017		-	-	2.70	27,807	1,548	2.70	27,439	2,851	55,246	4,399	59,645
2018		-	-	2.70	28,573	782	2.70	28,698	1,593	57,271	2,375	59,646
2019		-	-		-	-	2.70	29,484	807	29,484	807	30,291
Total		\$ 20,025	1,164		\$ 83,500	4,566		\$ 85,621	5,251	189,146	10,981	200,127

Note 7. Pension Plan

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 information 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.)

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 \$321,313.

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 \$2,112,419 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, 2015, the District's collective proportion was 0.052196 percent, which was an increase of 0.002025 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$179,757. 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	\$ 22,958	\$ -
Changes of assumptions	93,226	-
Net difference between projected and actual earnings on pension plan investments	-	805,616
Changes in proportion and differences between District contributions and proportionate share of contributions	92,645	-
District contributions subsequent to the measurement date	321,313	-
Total	<u>\$ 530,142</u>	<u>\$ 805,616</u>

\$321,313 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	\$ (152,612)
2017	(152,612)
2018	(152,612)
2019	(152,612)
2020	13,661
	<u>\$ (596,787)</u>

There were no non-employer contributing entities at IPERS.

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>	

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 (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 3,991,356	\$ 2,112,419	\$ 526,401

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 \$11,153 for legally required employer contributions and \$7,431 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8. Risk Management

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

Note 9. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 94 active and 5 retired members in the plan. Retirees must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 9,000
Interest on net OPEB obligation	115
Adjustment to annual required contribution	(95)
Annual OPEB cost	<u>9,020</u>
Contributions made	<u>(26,000)</u>
Increase in net OPEB obligation	(16,980)
Net OPEB obligation beginning of year	2,563
Net OPEB obligation end of year	<u><u>\$ (14,417)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$26,000 to the medical plan. Plan members eligible for benefits contributed \$23,000, or 46.94% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 9,267	226.6%	\$ 16,432
2014	9,131	251.9%	2,563
2015	9,020	288.2%	(14,417)

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$135,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$135,000. The covered payroll (annual payroll of active employees covered by the plan) was \$2,721,423 and the ratio of the UAAL to covered payroll was 4.96%.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$204,983 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 11. Categorical Funding

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

Project	Amount
Limited english proficient	\$ 6,498
Beginning teacher mentoring and induction program	829
Teacher salary supplement	40,642
Four-year-old preschool state aid	857
Successful progression for early readers	20,119
Market factor incentives	310
Teacher leadership grants	2,654
Total	<u>\$ 71,909</u>

Note 12. Budget Overexpenditure

During the year ended June 30, 2015, the District's expenditures in the instruction functional areas exceeded the amounts budgeted.

Note 13. Deficit Unassigned Fund Balance

At June 30, 2015, the District had one negative account in the Special Revenue: Student Activity Fund with a deficit unassigned fund balance of \$288. The District's General Fund had a deficit unassigned fund balance of \$282,939 and a deficit total fund balance of \$211,030. The District had deficit unrestricted net position of \$2,269,679 in the governmental activities at June 30, 2015. The District's Enterprise: School Nutrition Fund had a deficit unrestricted net position of \$10,798 and the Enterprise: Early Childhood Fund had a deficit unrestricted net position of \$39,416. The District had a deficit unrestricted net position in the business type activities of \$50,214, and a total unrestricted net position of \$10,710.

Note 14. Detailed Reconciliation of Governmental Fund Balances to Net Position

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

	Invested in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	131,917	(282,939)
Capital assets, net of accumulated debt	9,119,223	-	-
General obligation bond capitalized indebtedness	(3,370,000)	-	-
Revenue bond capitalized indebtedness	(1,050,000)	-	-
Bus loan capitalized indebtedness	(189,146)	-	-
Accrued interest payable	-	(26,399)	-
Income surtax	-	-	229,888
Unassigned student activity fund balance	-	-	(288)
Net pension liability	-	-	(1,972,577)
Pension related deferred outflows of resources	-	-	497,714
Pension related deferred inflows of resources	-	-	(752,284)
Net OPEB asset	-	-	10,807
Net position (Exhibit A)	<u>\$ 4,510,077</u>	<u>105,518</u>	<u>(2,269,679)</u>

Note 15. 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		
		School Nutrition	Early Childhood	Total
Net position June 30, 2014, as previously reported	\$ 5,068,591	\$ 94,502	42,212	136,714
Net pension liability at June 30, 2014	(2,652,641)	(87,777)	(100,277)	(188,054)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	290,641	9,618	10,987	20,605
Net position July 1, 2014, as restated	<u>\$ 2,706,591</u>	<u>\$ 16,343</u>	<u>(47,078)</u>	<u>(30,735)</u>

EAST UNION COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

EAST UNION COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,215,528	241,890	3,457,418	3,680,310	3,680,310	(222,892)
State sources	3,768,874	4,578	3,773,452	3,674,694	3,674,694	98,758
Federal sources	222,973	219,707	442,680	396,500	396,500	46,180
Total revenues	<u>7,207,375</u>	<u>466,175</u>	<u>7,673,550</u>	<u>7,751,504</u>	<u>7,751,504</u>	<u>(77,954)</u>
Expenditures/Expenses:						
Instruction	4,523,410	-	4,523,410	4,260,000	4,260,000	(263,410)
Support services	1,947,798	62,104	2,009,902	2,422,393	2,422,393	412,491
Non-instructional programs	-	384,046	384,046	530,000	530,000	145,954
Other expenditures	1,078,325	-	1,078,325	1,114,531	1,114,531	36,206
Total expenditures/expenses	<u>7,549,533</u>	<u>446,150</u>	<u>7,995,683</u>	<u>8,326,924</u>	<u>8,326,924</u>	<u>331,241</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(342,158)	20,025	(322,133)	(575,420)	(575,420)	253,287
Other financing sources, net	169,121	-	169,121	58	58	169,063
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(173,037)	20,025	(153,012)	(575,362)	(575,362)	422,350
Balances beginning of year, as restated	651,241	(30,735)	620,506	1,237,425	1,237,425	(616,919)
Balances end of year	<u>\$ 478,204</u>	<u>(10,710)</u>	<u>467,494</u>	<u>662,063</u>	<u>662,063</u>	<u>(194,569)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

During the year ended June 30, 2015, expenditures in the instruction functional areas exceeded the amount budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 252,000	252,000	0.0%	\$ 2,280,700	11.05%
2011	July 1, 2009	-	252,000	252,000	0.0%	2,385,139	10.57%
2012	July 1, 2009	-	252,000	252,000	0.0%	2,249,296	11.20%
2013	July 1, 2012	-	135,000	135,000	0.0%	2,530,355	5.34%
2014	July 1, 2012	-	135,000	135,000	0.0%	2,549,944	5.29%
2015	July 1, 2012	-	135,000	135,000	0.0%	2,721,423	4.96%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST 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

	2015
District's proportion of the net pension liability	0.052196%
District's proportionate share of the net pension liability	\$ 2,112,419
District's covered-employee payroll	\$ 3,598,131
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.71%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amount 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 321,313	311,246	280,878	246,435	202,137	204,457	194,357	179,655	155,134	148,180
Contributions in relation to the statutorily required contribution	<u>(321,313)</u>	<u>(311,246)</u>	<u>(280,878)</u>	<u>(246,435)</u>	<u>(202,137)</u>	<u>(204,457)</u>	<u>(194,357)</u>	<u>(179,655)</u>	<u>(155,134)</u>	<u>(148,180)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
District's covered-employee payroll	\$ 3,598,131	3,485,398	3,239,654	3,053,717	2,908,446	2,941,827	3,060,740	2,969,504	2,697,983	2,577,043
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST 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.

EAST UNION COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

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.

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 14,002	125,917	139,919
Receivables:			
Property tax:			
Delinquent	2,978	-	2,978
Succeeding year	140,000	-	140,000
Accounts	8,970	-	8,970
Total assets	\$ 165,950	125,917	291,867
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 3,114	4,619	7,733
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	140,000	-	140,000
Fund balances:			
Restricted for:			
Management levy purposes	22,836	-	22,836
Student activities	-	121,586	121,586
Unassigned:			
Student activities	-	(288)	(288)
Total fund balances	22,836	121,298	144,134
Total liabilities, deferred inflows of resources and fund balances	\$ 165,950	125,917	291,867

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST UNION COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 140,957	-	140,957
Other	8,970	165,101	174,071
Total revenues	<u>149,927</u>	<u>165,101</u>	<u>315,028</u>
Expenditures:			
Current:			
Instruction:			
Regular	152,491	-	152,491
Other	-	137,679	137,679
Support services:			
Transportation	589	-	589
Total expenditures	<u>153,080</u>	<u>137,679</u>	<u>290,759</u>
Change in fund balances	(3,153)	27,422	24,269
Fund balances beginning of year	<u>25,989</u>	<u>93,876</u>	<u>119,865</u>
Fund balances end of year	<u>\$ 22,836</u>	<u>121,298</u>	<u>144,134</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST UNION COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2015

	Capital Projects			
	Statewide Sales, Services and Use Tax	Playground Project	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 78,112	8,211	43,645	129,968
Recivables:				
Property tax:				
Delinquent	-	-	983	983
Succeeding year	-	-	47,203	47,203
Due from other funds	254,000	-	41,000	295,000
Due from other governments	75,871	-	-	75,871
Total assets	\$ 407,983	8,211	132,831	549,025
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 70,645	-	17,994	88,639
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	47,203	47,203
Fund balances:				
Restricted for:				
School infrastructure	337,338	8,211	-	345,549
Physical plant and equipment levy	-	-	67,634	67,634
Total fund balances	337,338	8,211	67,634	413,183
Total liabilities, deferred inflows of resources and fund balances	\$ 407,983	8,211	132,831	549,025

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST UNION COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Playground Project	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	-	46,543	46,543
Other	41	5,278	9	5,328
State sources	487,578	-	-	487,578
Federal sources	-	-	6,100	6,100
Total revenues	<u>487,619</u>	<u>5,278</u>	<u>52,652</u>	<u>545,549</u>
Expenditures:				
Support services:				
Instructional staff	75,737	-	-	75,737
Administration	6,968	-	-	6,968
Operation and maintenance of plant	-	-	52	52
Transportation	-	-	191,621	191,621
Capital outlay	380,613	-	57,289	437,902
Total expenditures	<u>463,318</u>	<u>-</u>	<u>248,962</u>	<u>712,280</u>
Excess(Deficiency) of revenues over(under) expenditures	24,301	5,278	(196,310)	(166,731)
Other financing sources(uses):				
Transfer out	(94,642)	-	(40,668)	(135,310)
Proceeds from bus loans	-	-	169,121	169,121
Total other financing sources(uses)	<u>(94,642)</u>	<u>-</u>	<u>128,453</u>	<u>33,811</u>
Change in fund balances	(70,341)	5,278	(67,857)	(132,920)
Fund balances beginning of year	<u>407,679</u>	<u>2,933</u>	<u>135,491</u>	<u>546,103</u>
Fund balances end of year	<u>\$ 337,338</u>	<u>8,211</u>	<u>67,634</u>	<u>413,183</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Boys basketball	\$ 1,667	1,774	1,225	2,216
Boys football	6,407	7,725	10,230	3,902
Boys baseball	730	-	-	730
Boys track	1,412	488	432	1,468
Boys wrestling	1,944	-	357	1,587
Girls basketball	5,987	1,323	864	6,446
Girls volleyball	1,710	2,754	2,648	1,816
Girls softball	2,264	1,020	869	2,415
Girls track	1,934	2,061	1,857	2,138
MS student council	4,945	495	185	5,255
Drama	2,004	597	661	1,940
Vocal music	5,968	4,633	2,262	8,339
Instrumental music	1,895	4,734	4,079	2,550
Archery	-	1,796	1,023	773
HS cross country	218	1,317	972	563
HS golf	1,574	-	-	1,574
Drill team	-	3,404	2,508	896
Weight room	(476)	476	-	-
General athletics	35,094	85,748	63,881	56,961
Cheerleaders	466	1,844	828	1,482
Class of 2014	906	-	906	-
Class of 2015	3,159	475	3,634	-
Class of 2016	644	11,727	8,544	3,827
Class of 2017	-	3,820	4,108	(288)
Concessions	777	560	912	425
FFA	2,641	19,790	18,068	4,363
FCCLA	999	292	177	1,114
Investments	9	-	-	9
Now account interest	5	13	-	18
National honor society	25	-	25	-
Science club	2,219	1,019	1,330	1,908
Spanish club	2,182	-	-	2,182
Art club	-	1,003	220	783
Student council	982	1,342	1,701	623
Vocational agriculture	155	-	155	-
Yearbook	3,430	2,871	3,018	3,283
Total	\$ 93,876	165,101	137,679	121,298

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 2,515,262	2,450,068	2,627,664	2,792,376	2,633,831	2,094,554	1,987,464	1,935,751	2,188,764	2,138,771
Tuition	345,626	241,550	264,161	150,328	95,132	117,889	128,785	94,981	64,103	60,448
Other	354,640	298,555	371,373	547,950	1,247,379	344,129	342,044	443,423	577,225	530,708
State sources	3,768,874	3,229,379	2,552,631	2,657,367	2,852,240	2,370,396	2,776,255	2,852,537	2,497,099	2,258,608
Federal sources	222,973	211,209	277,547	610,822	1,153,908	555,502	294,287	317,361	356,786	395,753
Total	\$ 7,207,375	6,430,761	6,093,376	6,758,843	7,982,490	5,482,470	5,528,835	5,644,053	5,683,977	5,384,288
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,819,952	2,375,462	2,388,648	2,300,559	2,004,332	1,897,660	2,420,010	2,188,154	1,957,053	1,861,322
Special	758,050	741,778	599,738	483,167	561,011	609,348	1,055,656	641,748	636,887	552,802
Other	945,408	963,854	907,251	852,918	910,718	1,089,427	346,367	750,655	733,997	793,753
Support services:										
Student	55,608	55,039	56,672	54,419	48,741	70,138	66,610	85,589	72,179	68,461
Instructional staff	256,890	224,742	347,827	292,037	385,617	139,091	257,576	156,977	213,212	163,014
Administration	653,170	765,613	660,975	665,182	573,761	606,330	533,499	513,764	435,934	431,359
Operation and maintenance of plant	451,149	483,712	480,367	426,108	385,107	379,495	396,027	455,939	371,620	355,242
Transportation	530,981	353,218	366,727	482,608	330,215	343,645	296,975	492,979	289,201	314,779
Capital outlay	437,902	224,857	87,132	3,134,662	4,061,215	351,138	271,535	552,245	153,407	206,641
Long-term debt:										
Principal	239,072	281,992	273,497	592,701	310,000	180,000	170,000	165,000	155,000	145,000
Interest	196,368	189,938	216,357	259,382	230,687	23,843	30,642	34,578	41,838	47,238
Other expenditures:										
AEA flow-through	204,983	192,256	181,667	184,489	209,828	202,854	185,155	178,972	163,035	153,606
Total	\$ 7,549,533	6,852,461	6,566,858	9,728,232	10,011,232	5,892,969	6,030,052	6,216,600	5,223,363	5,093,217

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Union Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 23, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

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

Compliance and Other Matters

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

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

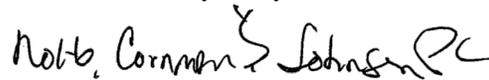
East Union Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2016
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted

INTERNAL CONTROL DEFICIENCY:

I-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 5) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - The District will continue to review current procedures, investigate alternative and implement if possible.

Conclusion - Response accepted.

OTHER MATTERS:

I-B-15 Board Policies - We noted during our audit some of the policies in the District's board policy book do not appear to have been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. This review and update should also be documented in the District's official board minutes. The District should take steps to review board policies in a more timely manner.

Response - The District will continue to review the board policies and keep all policies up to date. The District has taken steps to review board policies in a timely manner.

Conclusion - Response accepted.

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

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the certified budgeted amounts in the instruction functional area.

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

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

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - We noted during our audit that the District purchased gift cards to be given out as homecoming prizes. Purchasing gift cards to be given to students does not allow the Board to audit and allow the final purchase as required by Chapter 279.29 of the Code of Iowa and does not appear to meet public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

Recommendation - The District should refrain from purchasing gift cards. The District should review the purchasing procedures it has in place and make necessary adjustments to ensure that all purchases meet public purpose as defined in the Attorney General’s opinion dated April 25, 1979.

Response - The District will forgo purchasing gift cards, will review all purchasing procedures put in place and make the necessary adjustments to ensure that all purchases make public purpose.

Conclusion - Response accepted.

II-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

Name, Title and Business Connection	Transaction Description	Amount
Wes Clark, Teacher Father-in-law owns Miller Enterprises	Services	\$ 1,000
Paul Miller, Paraeducator Owns, Miller Enterprises	Supplies and services	\$ 569

In accordance with the Attorney’s General’s opinion dated July 2, 1990, the above transaction with Paul Miller does not appear to represent a conflict of interest.

In accordance with the Attorney’s General’s opinion dated November 9, 1976 of the Code of Iowa the transaction with Wes Clark does not appear to represent a conflict of interest.

- II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-15 Certified Enrollment – No variances regarding the certified enrollment certified to the Iowa Department of Education were noted.
- II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-15 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$ 407,679
Revenues:		
Sales tax revenues	\$ 487,578	
Other local revenues	41	487,619
		895,298
Expenditures/transfer out:		
School infrastructure construction	\$ 335,548	
Equipment	78,522	
Other	49,248	
Transfers to other funds:		
Debt service fund	94,642	557,960
		557,960
Ending Balance		\$ 337,338

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.

- II-M-15 Financial Condition - At June 30, 2015, the District had one negative account in the Special Revenue: Student Activity Fund with a deficit unassigned fund balance of \$288. The District's General Fund had a deficit unassigned fund balance of \$282,939 and a deficit total fund balance of \$211,030. The District had deficit unrestricted net

position of \$2,269,679 in the governmental activities at June 30, 2015. The District's Enterprise: School Nutrition Fund had a deficit unrestricted net position of \$10,798 and the Enterprise: Early Childhood Fund had a deficit unrestricted net position of \$39,416. The District had a deficit unrestricted net position in the business type activities of \$50,214, and a total unrestricted net position of \$10,710. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward. The District should also continue to monitor the General and Activity Fund and develop a plan to bring these back to a positive balance.

Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District will continue to monitor the General Fund and Activity Fund.

Conclusion - Response accepted.