

UNION COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Union Community School District

Officials

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

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Certified Public Accountants
(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

The financial statements of the Union Community School District Foundation have not been audited, and we were not engaged to audit the Foundation financial statements as part of our audit of the Union Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Foundation's financial statements and because we did not apply any auditing procedures to the Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

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.

Members American Institute & Iowa Society of Certified Public Accountants

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Union Community School District as of June 30, 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, 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, the Schedule of Funding Progress for the Retiree Health Plan and the statements for the discretely presented component unit on pages 7 through 16 and 46 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2016 on our consideration of Union Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Union Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Union Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$12,296,213 in fiscal year 2014 to \$12,517,982 in fiscal year 2015, while General Fund expenditures increased from \$12,276,618 in fiscal year 2014 to \$12,677,885 in fiscal year 2015. The District's General Fund balance decreased from \$1,535,022 at June 30, 2014 to \$1,375,119 at June 30, 2015, a 10.42% decrease.
- The increase in General Fund revenues was attributable to an increase in local and state source revenues in fiscal year 2015. The increase in expenditures was due primarily to increased expenditures in the instruction and support services functional areas.

USING THIS ANNUAL REPORT

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

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

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

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

Notes to 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 and the financial statements for the discretely presented component unit.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Union Community School District Annual Financial Report

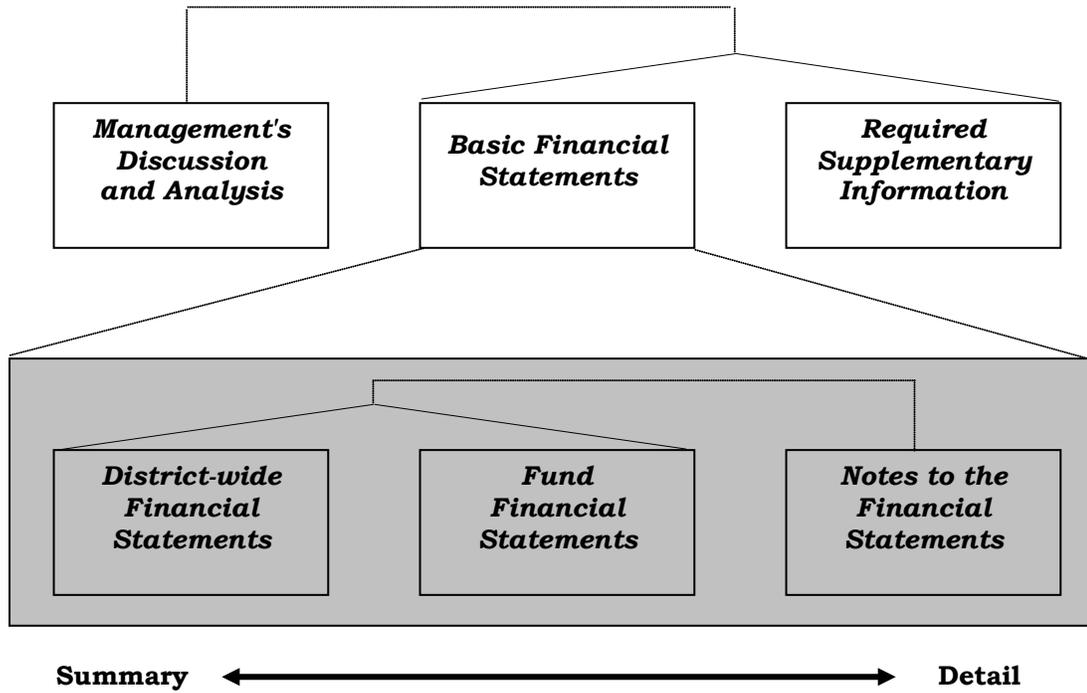


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	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	\$ 10,605,583	9,877,979	116,151	93,613	10,721,734	9,971,592	7.52%
Capital assets	15,247,183	15,521,633	40,429	40,283	15,287,612	15,561,916	-1.76%
Total assets	<u>25,852,766</u>	<u>25,399,612</u>	<u>156,580</u>	<u>133,896</u>	<u>26,009,346</u>	<u>25,533,508</u>	<u>1.86%</u>
Deferred outflows of resources	848,240	-	22,921	-	871,161	-	100.00%
Long-term liabilities	11,873,488	8,185,652	113,019	1,101	11,986,507	8,186,753	46.41%
Other liabilities	1,488,204	996,618	42,345	48,660	1,530,549	1,045,278	46.43%
Total liabilities	<u>13,361,692</u>	<u>9,182,270</u>	<u>155,364</u>	<u>49,761</u>	<u>13,517,056</u>	<u>9,232,031</u>	<u>46.41%</u>
Deferred inflows of resources	6,429,161	4,547,433	42,722	-	6,471,883	4,547,433	42.32%
Net position:							
Net investment in capital assets	7,502,183	7,356,633	40,429	40,283	7,542,612	7,396,916	1.97%
Restricted	2,820,693	2,616,425	-	-	2,820,693	2,616,425	7.81%
Unrestricted	(3,412,723)	1,696,851	(59,014)	43,852	(3,471,737)	1,740,703	-299.44%
Total net position	<u>\$ 6,910,153</u>	<u>11,669,909</u>	<u>(18,585)</u>	<u>84,135</u>	<u>6,891,568</u>	<u>11,754,044</u>	<u>-41.37%</u>

The District's total net position decreased 41.37%, or \$4,862,476 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$204,268, or 7.81% from the prior year. The increase in restricted net position is primarily due to the increase in the Capital Project: Statewide Sales, Services and Use Tax Fund balance as compared to the prior year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased by \$5,212,440 or 299.44% from the prior year. 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 \$5,119,205 and \$139,892, 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 net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	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	\$ 862,416	831,199	390,558	395,612	1,252,974	1,226,811	2.13%
Operating grants, contributions and restricted interest	849,540	880,743	273,195	256,532	1,122,735	1,137,275	-1.28%
Capital grants, contributions and restricted interest	-	10,000	-	-	-	10,000	-100.00%
General revenues:							
Property tax	4,547,673	4,442,306	-	-	4,547,673	4,442,306	2.37%
Income surtax	593,095	706,809	-	-	593,095	706,809	-16.09%
Statewide sales, services and use tax	1,144,220	1,060,395	-	-	1,144,220	1,060,395	7.91%
Unrestricted state grants	6,420,012	6,289,131	-	-	6,420,012	6,289,131	2.08%
Unrestricted interest revenue	5,897	5,461	45	29	5,942	5,490	8.23%
Other general revenue	77,217	70,154	15,020	14,540	92,237	84,694	8.91%
Total revenues	14,500,070	14,296,198	678,818	666,713	15,178,888	14,962,911	1.44%
Program expenses:							
Instructional	8,462,269	8,460,842	-	-	8,462,269	8,460,842	0.02%
Support services	4,355,640	4,280,968	13,192	12,827	4,368,832	4,293,795	1.75%
Non-instructional programs	2,953	571	628,454	671,956	631,407	672,527	-6.11%
Other expenses	1,319,759	1,330,875	-	-	1,319,759	1,330,875	-0.84%
Total expenses	14,140,621	14,073,256	641,646	684,783	14,782,267	14,758,039	0.16%
Change in net position	359,449	222,942	37,172	(18,070)	396,621	204,872	93.59%
Net position beginning of year, as restated	6,550,704	11,446,967	(55,757)	102,205	6,494,947	11,549,172	-43.76%
Net position end of year	\$ 6,910,153	11,669,909	(18,585)	84,135	6,891,568	11,754,044	-41.37%

In fiscal year 2015, property tax and unrestricted state grants account for 75.64% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest account for 97.78% of business type activities revenue. The District's total revenues were \$15,178,888, of which \$14,500,070 was for governmental activities and \$678,818 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.44% increase in revenues and a 0.16% increase in expenditures. The increase in revenues is primarily due to an increase in unrestricted state grants and property tax revenues received while the increase in expenditures is due to an increase in support service expenditures incurred when compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$14,500,070 and expenses were \$14,140,621 for the year ended June 30, 2015.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014	Change 2014-15	2015	2014	Change 2014-15
Instruction	\$ 8,462,269	8,460,842	0.02%	7,281,282	7,276,906	0.06%
Support services	4,355,640	4,280,968	1.74%	4,352,222	4,249,691	2.41%
Non-instructional	2,953	571	417.16%	2,953	571	417.16%
Other expenses	1,319,759	1,330,875	-0.84%	792,208	824,146	-3.88%
Totals	<u>\$ 14,140,621</u>	<u>14,073,256</u>	<u>0.48%</u>	<u>12,428,665</u>	<u>12,351,314</u>	<u>0.63%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$862,416.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$849,540.
- The net cost of governmental activities was financed with \$4,547,673 in property tax, \$593,095 in income surtax, \$1,144,220 in statewide sales, services and use tax, \$6,420,012 in unrestricted state grants, \$5,897 in interest income and \$77,217 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$678,818 and expenses were \$641,646 for the year ended June 30, 2015. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,753,469, below last year's ending fund balances of \$3,801,850. The primary reason for the decrease in combined fund balances in fiscal year 2015 is the decrease in the general fund balance due to increase expenditures in the instruction and support services functional areas.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Fund balance of the General Fund decreased from \$1,535,022 at June 30, 2014 to \$1,375,119 at June 30, 2015. A contributing factor to this decrease in ending fund balance was an increase in instruction and support services expenditures.
- The Capital Projects Fund balance increased from \$660,150 at June 30, 2014 to \$679,240 at June 30, 2015. The increase in fund balance can be attributed mostly to a decrease in capital outlay expenditures when compared to the prior year.

Proprietary Funds Highlights

- The School Nutrition Fund net position increased from a restated deficit \$55,757 at July 1, 2014 to a deficit \$18,585 at June 30, 2015, representing an increase of 66.67%. Total revenues increased and total expenditures decreased as compared to the prior year, resulting in an increase in net position of \$37,172.

BUDGETARY HIGHLIGHTS

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

The District's revenues were \$384,705 less than budgeted revenues, a variance of 2.47%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$15,287,612 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and construction in progress. (See Figure A-6) This represents a net decrease of 1.76%. More detailed information about the District's capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$854,202.

The original cost of the District's capital assets was \$29,681,324. Governmental funds account for \$29,448,765 with the remainder of \$232,559 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$10,859,235 at June 30, 2014, compared to \$10,527,488 reported at June 30, 2015. The primary reason for this decrease is due to depreciation expense recognized during the year.

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	\$ 53,729	53,729	-	-	53,729	53,729	0.00%
Construction in progress	1,233,707	1,092,822	-	-	1,233,707	1,092,822	12.89%
Buildings	10,527,488	10,859,235	-	-	10,527,488	10,859,235	-3.05%
Land improvements	2,741,388	2,925,441	-	-	2,741,388	2,925,441	-6.29%
Machinery and equipment	690,871	590,406	40,429	40,283	731,300	630,689	15.95%
Total	\$ 15,247,183	15,521,633	40,429	40,283	15,287,612	15,561,916	-1.76%

Long-Term Debt

At June 30, 2015, the District had \$11,986,507 in total long-term debt outstanding. This represents an increase of 46.41% from last year. (See Figure A-7) Additional information about the District's long-term liabilities is presented in Note 5 to the financial statements.

At June 30, 2015, the District had \$7,745,000 of outstanding revenue bonded indebtedness payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

At June 30, 2015, the District had \$10,431 of termination benefits payable from the Management Levy Fund.

At June 30, 2015, the District had a total net pension liability of \$4,211,347. \$4,099,326 of this total is attributable to the District's governmental activities while the remaining \$112,021 is attributed the District's business type activities.

At June 30, 2015, the District had a total net OPEB liability of \$19,729. \$18,731 of this total is attributable to the District's governmental activities while the remaining \$998 is attributed the District's business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenue bonds	\$ 7,745,000	8,165,000	-	-	7,745,000	8,165,000	-5.14%
Termination benefits	10,431	-	-	-	10,431	-	100.00%
Net pension liability	4,099,326	-	112,021	-	4,211,347	-	100.00%
Net OPEB liability	18,731	20,652	998	1,101	19,729	21,753	-9.30%
Total	<u>\$ 11,873,488</u>	<u>8,185,652</u>	<u>113,019</u>	<u>1,101</u>	<u>11,986,507</u>	<u>8,186,753</u>	<u>46.41%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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

	Primary Government			Component Unit
	Govern- mental Activities	Business Type Activities	Total	Union Community School District Foundation
Assets				
Cash and pooled investments	\$ 4,820,329	106,833	4,927,162	200,672
Receivables:				
Property tax:				
Delinquent	74,996	-	74,996	-
Succeeding year	4,865,796	-	4,865,796	-
Income surtax	520,465	-	520,465	-
Accounts	7,949	1,014	8,963	-
Due from other funds	22,048	-	22,048	-
Due from other governments	294,000	-	294,000	-
Inventories	-	8,304	8,304	-
Capital assets, net of accumulated depreciation	15,247,183	40,429	15,287,612	-
Total assets	25,852,766	156,580	26,009,346	200,672
Deferred Outflows of Resources				
Pension related deferred outflows	848,240	22,921	871,161	-
Liabilities				
Due to other funds	-	22,048	22,048	-
Accounts payable	680,869	7,055	687,924	-
Salaries and benefits payable	784,984	-	784,984	-
Accrued interest payable	22,351	-	22,351	-
Unearned revenue	-	13,242	13,242	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds payable	430,000	-	430,000	-
Termination benefits payable	10,431	-	10,431	-
Portion due after one year:				
Revenue bonds payable	7,315,000	-	7,315,000	-
Net pension liability	4,099,326	112,021	4,211,347	-
Net OPEB liability	18,731	998	19,729	-
Total liabilities	13,361,692	155,364	13,517,056	-
Deferred inflows of resources				
Unavailable property tax revenue	4,865,796	-	4,865,796	-
Pension related deferred inflows	1,563,365	42,722	1,606,087	-
Total deferred inflows of resources	6,429,161	42,722	6,471,883	-
Net Position				
Net investment in capital assets	7,502,183	40,429	7,542,612	-
Restricted for:				
Categorical funding	475,125	-	475,125	-
Debt service	868,494	-	868,494	-
Management levy purposes	650,579	-	650,579	-
Student activities	117,419	-	117,419	-
Other special purposes	29,836	-	29,836	-
School infrastructure	648,974	-	648,974	-
Physical plant and equipment	30,266	-	30,266	-
Unrestricted	(3,412,723)	(59,014)	(3,471,737)	200,672
Total net position	\$ 6,910,153	(18,585)	6,891,568	200,672

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Union Community School District Foundation
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Primary Government		Total	
				Governmental Activities	Business Type Activities		
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 5,122,628	272,596	55,646	(4,794,386)	-	(4,794,386)	-
Special	1,681,021	90,217	122,180	(1,468,624)	-	(1,468,624)	-
Other	1,658,620	499,603	140,745	(1,018,272)	-	(1,018,272)	-
	<u>8,462,269</u>	<u>862,416</u>	<u>318,571</u>	<u>(7,281,282)</u>	<u>-</u>	<u>(7,281,282)</u>	<u>-</u>
Support services:							
Student	388,448	-	-	(388,448)	-	(388,448)	-
Instructional staff	455,923	-	-	(455,923)	-	(455,923)	-
Administration	1,331,296	-	-	(1,331,296)	-	(1,331,296)	-
Operation and maintenance of plant	1,289,892	-	-	(1,289,892)	-	(1,289,892)	-
Transportation	890,081	-	3,418	(886,663)	-	(886,663)	-
	<u>4,355,640</u>	<u>-</u>	<u>3,418</u>	<u>(4,352,222)</u>	<u>-</u>	<u>(4,352,222)</u>	<u>-</u>
Non-instructional programs:							
Food service operations	1,678	-	-	(1,678)	-	(1,678)	-
Other enterprise operations	1,275	-	-	(1,275)	-	(1,275)	-
	<u>2,953</u>	<u>-</u>	<u>-</u>	<u>(2,953)</u>	<u>-</u>	<u>(2,953)</u>	<u>-</u>
Long-term debt interest	276,408	-	-	(276,408)	-	(276,408)	-
Other expenditures:							
AEA flowthrough	527,551	-	527,551	-	-	-	-
Depreciation(unallocated)*	515,800	-	-	(515,800)	-	(515,800)	-
	<u>1,043,351</u>	<u>-</u>	<u>527,551</u>	<u>(515,800)</u>	<u>-</u>	<u>(515,800)</u>	<u>-</u>
Total governmental activities	14,140,621	862,416	849,540	(12,428,665)	-	(12,428,665)	-
Business type activities:							
Support services:							
Student	2,040	-	-	-	(2,040)	(2,040)	-
Administration	5,322	-	-	-	(5,322)	(5,322)	-
Operation and maintenance of plant	5,830	-	-	-	(5,830)	(5,830)	-
	<u>13,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,192)</u>	<u>(13,192)</u>	<u>-</u>
Non-instructional programs:							
Food service operations	628,454	390,558	273,195	-	35,299	35,299	-
Total business type activities	641,646	390,558	273,195	-	22,107	22,107	-
Total primary government	\$ 14,782,267	1,252,974	1,122,735	(12,428,665)	22,107	(12,406,558)	-
Total component unit	\$ 19,250	-	11,850				(7,400)
General Revenues:							
Local tax levied for:							
General purposes				\$ 4,421,109	-	4,421,109	-
Capital outlay				126,564	-	126,564	-
Income surtax				593,095	-	593,095	-
Statewide sales, services and use tax				1,144,220	-	1,144,220	-
Unrestricted state grants				6,420,012	-	6,420,012	-
Unrestricted investment earnings				5,897	45	5,942	4,052
Unrealized gain				-	-	-	366
Other				77,217	15,020	92,237	-
Total general revenues				12,788,114	15,065	12,803,179	4,418
Change in net position				359,449	37,172	396,621	(2,982)
Net position beginning of year, as restated				6,550,704	(55,757)	6,494,947	203,654
Net position end of year				\$ 6,910,153	(18,585)	6,891,568	200,672

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 2,434,812	674,071	1,711,446	4,820,329
Receivables:				
Property tax:				
Delinquent	68,107	2,083	4,806	74,996
Succeeding year	4,444,343	130,213	291,240	4,865,796
Income surtax	520,465	-	-	520,465
Accounts	4,363	-	3,586	7,949
Due from other funds	45,504	-	-	45,504
Due from other governments	115,368	178,632	-	294,000
Total assets	\$ 7,632,962	984,999	2,011,078	10,629,039
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 508,051	152,090	20,728	680,869
Due to other funds	-	23,456	-	23,456
Salaries and benefits payable	784,984	-	-	784,984
Total liabilities	<u>1,293,035</u>	<u>175,546</u>	<u>20,728</u>	<u>1,489,309</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	4,444,343	130,213	291,240	4,865,796
Income surtax	520,465	-	-	520,465
Total deferred inflows of resources	<u>4,964,808</u>	<u>130,213</u>	<u>291,240</u>	<u>5,386,261</u>
Fund balances:				
Restricted for:				
Categorical funding	475,125	-	-	475,125
Debt service	-	-	890,845	890,845
Management levy purposes	-	-	661,010	661,010
Student activities	-	-	117,419	117,419
Other special purposes	-	-	29,836	29,836
School infrastructure	-	648,974	-	648,974
Physical plant and equipment	-	30,266	-	30,266
Unassigned	899,994	-	-	899,994
Total fund balances	<u>1,375,119</u>	<u>679,240</u>	<u>1,699,110</u>	<u>3,753,469</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 7,632,962	984,999	2,011,078	10,629,039

SEE NOTES TO FINANCIAL STATEMENTS.

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)	\$	3,753,469
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		15,247,183
Accounts receivable income surtax is not yet available to finance expenditures of the current fiscal year and therefore, is shown as deferred inflows of resources in the governmental funds.		520,465
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(22,351)
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	\$ 848,240	
Deferred inflows of resources	<u>(1,563,365)</u>	(715,125)
Long-term liabilities, including revenue bonds payable, termination benefits payable, net pension liability and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(11,873,488)</u>
Net position of governmental activities (page 18)	\$	<u><u>6,910,153</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 4,757,474	126,564	291,394	5,175,432
Tuition	355,548	-	-	355,548
Other	182,434	1,166	458,444	642,044
State sources	6,963,911	1,144,508	672	8,109,091
Federal sources	252,619	-	-	252,619
Total revenues	<u>12,511,986</u>	<u>1,272,238</u>	<u>750,510</u>	<u>14,534,734</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,271,373	37,816	6,369	5,315,558
Special	1,704,070	-	-	1,704,070
Other	1,219,036	-	452,069	1,671,105
	<u>8,194,479</u>	<u>37,816</u>	<u>458,438</u>	<u>8,690,733</u>
Support services:				
Student	397,556	729	2,787	401,072
Instructional staff	433,174	27,493	2,198	462,865
Administration	1,345,397	3,317	21,820	1,370,534
Operation and maintenance of plant	1,001,619	40,753	165,452	1,207,824
Transportation	776,834	189,520	20,197	986,551
	<u>3,954,580</u>	<u>261,812</u>	<u>212,454</u>	<u>4,428,846</u>
Non-instructional programs:				
Food service operations	-	-	1,678	1,678
Other enterprise operations	1,275	-	-	1,275
	<u>1,275</u>	<u>-</u>	<u>1,678</u>	<u>2,953</u>
Capital outlay	-	243,920	-	243,920
Long-term debt:				
Principal	-	-	420,000	420,000
Interest and fiscal charges	-	-	277,108	277,108
	<u>-</u>	<u>-</u>	<u>697,108</u>	<u>697,108</u>
Other expenditures:				
AEA flowthrough	527,551	-	-	527,551
Total expenditures	<u>12,677,885</u>	<u>543,548</u>	<u>1,369,678</u>	<u>14,591,111</u>
Excess(Deficiency) of revenues over(under) expenditures	(165,899)	728,690	(619,168)	(56,377)
Other financing sources(uses):				
Transfer in	-	-	711,600	711,600
Transfer out	-	(711,600)	-	(711,600)
Sale of equipment	5,996	2,000	-	7,996
Total other financing sources(uses)	<u>5,996</u>	<u>(709,600)</u>	<u>711,600</u>	<u>7,996</u>
Change in fund balances	(159,903)	19,090	92,432	(48,381)
Fund balances beginning of year	<u>1,535,022</u>	<u>660,150</u>	<u>1,606,678</u>	<u>3,801,850</u>
Fund balances end of year	<u>\$ 1,375,119</u>	<u>679,240</u>	<u>1,699,110</u>	<u>3,753,469</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds (page 22) \$ (48,381)

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

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

Capital outlay	\$ 579,287	
Depreciation expense	(846,290)	
Loss on the disposal of assets	(7,447)	(274,450)

Income surtax account receivable is not available to finance expenditures of the current year, and is recognized as deferred inflows of resources in the governmental funds. (34,664)

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

Termination benefits	(10,431)	
Pension expense	(308,947)	
Other postemployment benefits	1,921	(317,457)

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. 613,701

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. 420,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 700

Change in net position of governmental activities (page 19) \$ 359,449

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
Assets	
Cash and pooled investments	\$ 106,833
Accounts receivable	1,014
Inventories	8,304
Capital assets, net of accumulated depreciation	40,429
Total assets	156,580
 Deferred Outflows of Resources	
Pension related deferred outflows	22,921
 Liabilities	
Current liabilities:	
Due to other funds	22,048
Accounts payable	7,055
Unearned revenue	13,242
Total current liabilities	42,345
Noncurrent liabilities:	
Net pension liability	112,021
Net OPEB liability	998
Total noncurrent liabilities	113,019
Total liabilities	155,364
 Deferred Inflows of Resources	
Pension related deferred inflows	42,722
 Net Position	
Net investment in capital assets	40,429
Unrestricted	(59,014)
Total net position	\$ (18,585)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 390,558
Miscellaneous	15,020
Total operating revenues	405,578
Operating expenses:	
Support services:	
Student:	
Services	2,040
Administration:	
Services	5,322
Operation and maintenance of plant:	
Services	5,830
	13,192
Non-instructional programs:	
Food service operations:	
Salaries	189,414
Benefits	87,723
Services	197
Supplies	342,738
Depreciation	7,912
Other	470
	628,454
Total operating expenses	641,646
Operating loss	(236,068)
Non-operating revenues:	
State sources	5,228
Federal sources	267,967
Interest income	45
Total non-operating revenues	273,240
Change in net position	37,172
Net position beginning of year, as restated	(55,757)
Net position end of year	\$ (18,585)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 392,525
Cash received from miscellaneous operating activities	15,020
Cash payments to employees for services	(285,310)
Cash payments to suppliers for goods or services	(328,808)
Net cash used by operating activities	(206,573)
Cash flows from non-capital financing activities:	
Borrowings from the general fund	22,048
State grants received	5,228
Federal grants received	214,360
Net cash provided by non-capital financing activities	241,636
Cash flows from capital financing activities:	
Acquisition of capital assets	(8,058)
Cash flows from investing activities:	
Interest on investment	45
Net increase in cash and pooled investments	27,050
Cash and pooled investments beginning of year	79,783
Cash and pooled investments end of year	\$ 106,833
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (236,068)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	53,607
Depreciation	7,912
Decrease in inventories	3,636
Decrease in accounts receivable	876
Decrease in accounts payable	(29,454)
Increase in unearned revenue	1,091
Decrease in net pension liability	(44,376)
Increase in deferred outflows of resources	(6,416)
Increase in deferred inflows of resources	42,722
Decrease in other postemployment benefits	(103)
Net cash used by operating activities	\$ (206,573)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$53,607 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	\$ 281,107
Liabilities	<u>-</u>
Net Position	
Held in trust for scholarships	<u>\$ 281,107</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 1,810
Interest income	1,123
Total additions	<u>2,933</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>6,875</u>
Change in net position	(3,942)
Net position beginning of year	<u>285,049</u>
Net position end of year	<u>\$ 281,107</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Tama, Black Hawk, Buchanan and Benton Counties Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, machinery and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

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

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 the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amount budgeted in the other expenditures function.

(2) Cash, Cash Equivalents and Pooled Investments

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

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

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 \$16,195 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Due to and Due from Other Funds

The detail of interfund borrowings at June 30, 2015 is as follows:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General	Enterprise: School Nutrition	\$ 22,048
General	Capital Projects: Physical Plant and Equipment Levy	23,456
Total		<u>\$ 45,504</u>

The School Nutrition Fund is repaying the General Fund for salaries and benefits paid during the year.

The Capital Projects: Physical Plant and Equipment Levy Fund is reimbursing the General Fund for technology items purchased during the year.

(4) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 711,600</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.

(5) Long-Term Liabilities

A summary of changes in long-term debt 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:					
Revenue bonds	\$ 8,165,000	-	420,000	7,745,000	430,000
Termination benefits	-	10,431	-	10,431	10,431
Net pension liability	5,723,204	-	1,623,878	4,099,326	-
Net OPEB liability	20,652	-	1,921	18,731	-
Total	\$ 13,908,856	10,431	2,045,799	11,873,488	440,431
Business type activities:					
Net pension liability	\$ 156,397	-	44,376	112,021	-
Net OPEB liability	1,101	-	103	998	-
Total	\$ 157,498	-	44,479	113,019	-

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated October 6, 2010			
	Interest Rates	Principal	Interest	Total
2016	3.000 %	\$ 430,000	268,209	698,209
2017	3.000	445,000	255,309	700,309
2018	3.000	460,000	241,959	701,959
2019	3.125	475,000	228,158	703,158
2020	3.125	490,000	213,315	703,315
2021-2025	3.125-3.625	2,765,000	816,268	3,581,268
2026-2029	3.750-4.000	2,680,000	269,162	2,949,162
Total		\$ 7,745,000	2,292,380	10,037,380

The District has pledged future statewide sales, services and use tax revenues to repay the \$9,900,000 of bonds issued October 2010. The bonds were issued for the purpose of repaying \$8,800,000 of revenue bond anticipation notes issued during fiscal year 2010 and to finance a portion of the costs for various construction projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 61% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$10,733,988. For the current year, principal of \$420,000 and interest of \$276,609 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,144,220.

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

- a) \$743,600 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The remaining bond proceeds may be used to pay the cost of issuance of the bonds.

- b) The District is required to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any statewide sales, services and use tax revenue remaining after the required transfer to the sinking account may be used for any lawful purpose.

Termination Benefits

The District offered a voluntary early retirement plan to its certified employees and support staff during fiscal year 2015. Eligible employees must have been at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees completed an application which was required to be approved by the Board of Education. The early retirement incentive for each eligible employee is 55% of current year's salary, exclusive of supplemental pay, extended contract pay, or overtime.

As of June 30, 2015, the District had obligations to one employee with a total liability of \$10,431.

(6) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 53,729	-	-	53,729
Construction in progress	1,092,822	140,885	-	1,233,707
Total capital assets not being depreciated	<u>1,146,551</u>	<u>140,885</u>	<u>-</u>	<u>1,287,436</u>
Capital assets being depreciated:				
Buildings	17,110,385	-	-	17,110,385
Land improvements	4,836,547	-	-	4,836,547
Machinery and equipment	5,869,126	438,402	93,131	6,214,397
Total capital assets being depreciated	<u>27,816,058</u>	<u>438,402</u>	<u>93,131</u>	<u>28,161,329</u>
Less accumulated depreciation for:				
Buildings	6,251,150	331,747	-	6,582,897
Land improvements	1,911,106	184,053	-	2,095,159
Machinery and equipment	5,278,720	330,490	85,684	5,523,526
Total accumulated depreciation	<u>13,440,976</u>	<u>846,290</u>	<u>85,684</u>	<u>14,201,582</u>
Total capital assets being depreciated, net	<u>14,375,082</u>	<u>(407,888)</u>	<u>7,447</u>	<u>13,959,747</u>
Governmental activities capital assets, net	<u>\$ 15,521,633</u>	<u>(267,003)</u>	<u>7,447</u>	<u>15,247,183</u>
Business type activities:				
Machinery and equipment	\$ 224,501	8,058	-	232,559
Less accumulated depreciation	184,218	7,912	-	192,130
Business type activities capital assets, net	<u>\$ 40,283</u>	<u>146</u>	<u>-</u>	<u>40,429</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 120,467
Other	74,271
Support services:	
Student	572
Administration	4,145
Operation and maintenance of plant	13,018
Transportation	118,017
	330,490
Unallocated depreciation	515,800
	\$ 846,290
Business type activities:	
Food service operations	\$ 7,912

(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 \$630,213.

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 \$4,211,347 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.104059 percent, which was an increase of 0.000216 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$317,389. 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	\$ 45,769	\$ -
Changes of assumptions	185,856	-
Net difference between projected and actual earnings on pension plan investments	-	1,606,087
Changes in proportion and differences between District contributions and proportionate share of contributions	9,323	-
District contributions subsequent to the measurement date	630,213	-
Total	\$ 871,161	\$ 1,606,087

\$630,213 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	\$ (345,225)
2017	(345,225)
2018	(345,225)
2019	(345,225)
2020	15,761
	<u>\$ (1,365,139)</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	\$ 7,957,222	\$ 4,211,347	\$ 1,049,441

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 \$6,034 for legally required employer contributions and \$4,021 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Other Postemployment Benefits(OPEB)

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

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

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

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

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

Annual required contribution	\$	13,689
Interest on net OPEB obligation		218
Adjustment to annual required contribution		(839)
Annual OPEB cost		<u>13,068</u>
Contributions made		<u>(15,092)</u>
Increase in net OPEB obligation		(2,024)
Net OPEB obligation beginning of year		<u>21,753</u>
Net OPEB obligation end of year	\$	<u><u>19,729</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.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 13,298	56.52%	\$ 19,476
2014	13,133	82.66	21,753
2015	13,068	115.49	19,729

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 \$148,665, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$148,665. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,934,557 and the ratio of the UAAL to covered payroll was 2.51%. As of June 30, 2015, there were no trust fund assets.

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

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

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

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

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

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$527,551 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(11) Construction Commitment

The District has entered into contracts for the Auditorium project and other miscellaneous improvement projects. As of June 30, 2015, costs of \$1,233,707 had been incurred against the contracts. The balance remaining on the projects at June 30, 2015 will be paid as work on the projects progresses. The total cost of the projects will be added to the District’s capital asset listing upon completion.

(12) Categorical Funding

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

Program	Amount
Weighted limited english proficient	\$ 17,409
Weighted at-risk programs	54,211
Gifted and talented programs	13,965
Returning dropout and dropout prevention	219,216
Teacher salary supplement	28,989
Juvenile delinquency	8,493
Professional development for model core curriculum	81,405
Professional development	48,364
Market factor incentives	3,073
Total	<u>\$ 475,125</u>

(13) Deficit Accounts/Net Position

At June 30, 2015 the Enterprise: School Nutrition Fund had a deficit unrestricted net position of \$59,014 and a deficit total net position of \$18,585. The governmental activities had a deficit net position of \$3,412,723.

(14) Reconciliation of Governmental Fund Balances to Net Position

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

	Invested in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	661,010	890,845	899,994
Invested in capital assets, net of accumulated depreciation	15,247,183	-	-	-
Revenue bond capitalized indebtedness	(7,745,000)	-	-	-
Termination benefits payable	-	(10,431)	-	-
Accrued interest payable	-	-	(22,351)	-
Income surtax receivable	-	-	-	520,465
Pension related deferred outflows	-	-	-	848,240
Net pension liability	-	-	-	(4,099,326)
Pension related deferred inflows	-	-	-	(1,563,365)
Net OPEB liability	-	-	-	(18,731)
Net position (Exhibit A)	<u>\$ 7,502,183</u>	<u>650,579</u>	<u>868,494</u>	<u>(3,412,723)</u>

(15) Accounting Change/Restatement Note

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
Net position June 30, 2014, as previously reported	\$ 11,669,909	\$ 84,135
Net pension liability at June 30, 2014	(5,723,204)	(156,397)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	603,999	16,505
Net position July 1, 2014, as restated	<u>\$ 6,550,704</u>	<u>\$ (55,757)</u>

(16) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2015, expenditures in the other expenditure functional area exceeded the amounts budgeted.

UNION COMMUNITY SCHOOL DISTRICT

Education to Meet Tomorrow's Challenges

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 6,173,024	405,623	6,578,647	7,893,735	7,893,735	(1,315,088)
State sources	8,109,091	5,228	8,114,319	7,139,830	7,139,830	974,489
Federal sources	252,619	267,967	520,586	564,692	564,692	(44,106)
Total revenues	14,534,734	678,818	15,213,552	15,598,257	15,598,257	(384,705)
Expenditures/Expenses:						
Instruction	8,690,733	-	8,690,733	8,982,026	8,982,026	291,293
Support services	4,428,846	13,192	4,442,038	4,594,113	4,744,113	302,075
Non-instructional programs	2,953	628,454	631,407	766,668	766,668	135,261
Other expenditures	1,468,579	-	1,468,579	1,361,172	1,461,172	(7,407)
Total expenditures/expenses	14,591,111	641,646	15,232,757	15,703,979	15,953,979	721,222
Excess(Deficiency) of revenues over(under) expenditures/expenses	(56,377)	37,172	(19,205)	(105,722)	(355,722)	336,517
Other financing sources(uses), net	7,996	-	7,996	-	-	7,996
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	(48,381)	37,172	(11,209)	(105,722)	(355,722)	344,513
Balances beginning of year, as restated	3,801,850	(55,757)	3,746,093	3,202,533	3,202,533	543,560
Balances end of year	\$ 3,753,469	(18,585)	3,734,884	3,096,811	2,846,811	888,073

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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, the District adopted one budget amendment increasing budgeted expenditures by \$250,000.

During the year ended June 30, 2015, expenditures in the other instruction function exceeded the amount budgeted.

UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 (IN THOUSANDS)
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.104059%
District's proportionate share of the net pension liability	\$ 4,211
District's covered-employee payroll	\$ 7,057
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.67%
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.

UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 630	621	582	457	397	384	362	317	288	283
Contributions in relation to the statutorily required contribution	(630)	(621)	(582)	(457)	(397)	(384)	(362)	(317)	(288)	(283)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 7,057	6,954	6,713	5,663	5,712	5,525	5,701	5,240	5,009	4,922
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.

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

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 129,719	129,719	0.00%	\$ 4,846,488	2.68%
2011	July 1, 2009	-	129,719	129,719	0.00	4,877,092	2.66
2012	July 1, 2009	-	129,719	129,719	0.00	4,786,465	2.71
2013	July 1, 2012	-	148,665	148,665	0.00	5,595,219	2.66
2014	July 1, 2012	-	148,665	148,665	0.00	5,819,129	2.55
2015	July 1, 2012	-	148,665	148,665	0.00	5,934,557	2.51

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
 STATEMENT OF ASSETS, LIABILITIES AND
 NET POSITION - CASH BASIS
 COMPONENT UNIT
 JUNE 30, 2015

	Union Community School District Foundation
Assets	
Cash and pooled investments	\$ 200,672
Liabilities	-
Net Position	
Unrestricted	\$ 200,672

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - CASH BASIS
COMPONENT UNIT
YEAR ENDED JUNE 30, 2015

	Union Community School District Foundation
Revenues:	
Contributions	\$ 11,850
Expenses:	
Tuition payments/Scholarships	16,975
Administrative services	2,275
Total expenses	19,250
Operating income	(7,400)
Non-operating revenues:	
Unrealized gain	366
Interest income	4,052
Total non-operating revenues	4,418
Change in net position	(2,982)
Net position beginning of year	203,654
Net position end of year	\$ 200,672

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT

Education to Meet Tomorrow's Challenges

SUPPLEMENTARY INFORMATION

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

	Special Revenue				Debt Service	Total Nonmajor Governmental Funds
	Student Activity	Manage- ment Levy	Support Trust	Total		
Assets						
Cash and pooled investments	\$ 132,964	657,401	30,236	820,601	890,845	1,711,446
Receivables:						
Property tax:						
Delinquent	-	4,806	-	4,806	-	4,806
Succeeding year	-	291,240	-	291,240	-	291,240
Accounts	3,586	-	-	3,586	-	3,586
Total assets	\$ 136,550	953,447	30,236	1,120,233	890,845	2,011,078
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 19,131	1,197	400	20,728	-	20,728
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	-	291,240	-	291,240	-	291,240
Fund Balances:						
Restricted for:						
Debt service	-	-	-	-	890,845	890,845
Management levy purposes	-	661,010	-	661,010	-	661,010
Student activities	117,419	-	-	117,419	-	117,419
Other special purposes	-	-	29,836	29,836	-	29,836
Total fund balances	117,419	661,010	29,836	808,265	890,845	1,699,110
Total liabilities, deferred inflows of resources and fund balances	\$ 136,550	953,447	30,236	1,120,233	890,845	2,011,078

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue				Debt Service	Total Nonmajor Governmental Funds
	Student Activity	Manage- ment Levy	Support Trust	Total		
Revenues:						
Local sources:						
Local tax	\$ -	291,394	-	291,394	-	291,394
Other	444,572	11,192	1,319	457,083	1,361	458,444
State sources	-	672	-	672	-	672
Total revenues	444,572	303,258	1,319	749,149	1,361	750,510
Expenditures:						
Current:						
Instruction:						
Regular	-	95	6,274	6,369	-	6,369
Other	452,069	-	-	452,069	-	452,069
Support services:						
Student	1,524	1,263	-	2,787	-	2,787
Instructional staff	2,198	-	-	2,198	-	2,198
Administration	21,820	-	-	21,820	-	21,820
Operation and maintenance of plant	7,662	157,730	60	165,452	-	165,452
Transportation	-	20,197	-	20,197	-	20,197
Non-instruction:						
Food service operations	-	1,678	-	1,678	-	1,678
Long-term debt:						
Principal	-	-	-	-	420,000	420,000
Interest and fiscal charges	-	-	-	-	277,108	277,108
Total expenditures	485,273	180,963	6,334	672,570	697,108	1,369,678
Excess(Deficiency) of revenues over(under) expenditures	(40,701)	122,295	(5,015)	76,579	(695,747)	(619,168)
Other financing sources:						
Transfer in	-	-	-	-	711,600	711,600
Change in fund balances	(40,701)	122,295	(5,015)	76,579	15,853	92,432
Fund balances beginning of year	158,120	538,715	34,851	731,686	874,992	1,606,678
Fund balances end of year	\$ 117,419	661,010	29,836	808,265	890,845	1,699,110

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 594,532	79,539	674,071
Receivables:			
Property tax:			
Delinquent	-	2,083	2,083
Succeeding year	-	130,213	130,213
Due from other governments	178,632	-	178,632
Total assets	\$ 773,164	211,835	984,999
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 124,190	27,900	152,090
Due to other funds	-	23,456	23,456
Total liabilities	124,190	51,356	175,546
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	130,213	130,213
Fund balances:			
Restricted for:			
School infrastructure	648,974	-	648,974
Physical plant and equipment	-	30,266	30,266
Total fund balances	648,974	30,266	679,240
Total liabilities, deferred inflows of resources and fund balances	\$ 773,164	211,835	984,999

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	126,564	126,564
Other	974	192	1,166
State sources	1,144,220	288	1,144,508
Total revenues	<u>1,145,194</u>	<u>127,044</u>	<u>1,272,238</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	37,816	37,816
Support services:			
Student	-	729	729
Instructional staff	-	27,493	27,493
Administration	-	3,317	3,317
Operation and maintenance of plant	28,428	12,325	40,753
Transportation	62,554	126,966	189,520
Capital outlay	183,178	60,742	243,920
Total expenditures	<u>274,160</u>	<u>269,388</u>	<u>543,548</u>
Excess(Deficiency) of revenues over(under) expenditures	871,034	(142,344)	728,690
Other financing sources(uses):			
Transfer out	(711,600)	-	(711,600)
Sale of equipment	-	2,000	2,000
Total other financing sources(uses)	<u>(711,600)</u>	<u>2,000</u>	<u>(709,600)</u>
Change in fund balances	159,434	(140,344)	19,090
Fund balances beginning year	<u>489,540</u>	<u>170,610</u>	<u>660,150</u>
Fund balances end of year	<u>\$ 648,974</u>	<u>30,266</u>	<u>679,240</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Transfers	Balance End of Year
Drama	\$ 6,936	6,930	8,635	-	5,231
Speech	8,306	7,957	7,572	-	8,691
Middle School Music	25	-	-	-	25
Choir	2,474	9,497	11,971	-	-
Choir Robes	8,016	666	7,381	-	1,301
High School Band	2,445	16,691	17,439	-	1,697
Band Uniforms Fees	5,610	916	608	-	5,918
Middle School Band	1	349	350	-	-
Student Activity	-	371	371	-	-
Activity Tickets	-	31	31	-	-
Memory Book	3,151	2,518	5,602	-	67
Cross Country	-	888	888	-	-
High School Boys Basketball	4,720	6,500	7,598	-	3,622
Middle School Boys Basketball	-	881	881	-	-
High School Football	6,054	30,006	32,728	-	3,332
Middle School Football	-	6,813	6,813	-	-
High School Baseball	6,407	7,530	10,108	-	3,829
Middle School Baseball	-	1,938	1,938	-	-
High School Boys Track	-	9,640	9,103	-	537
Middle School Boys Track	287	2,328	2,615	-	-
Boys Tennis	-	109	109	-	-
Boys Golf	-	1,344	1,344	-	-
High School Wrestling	560	13,580	14,140	-	-
Middle School Wrestling	-	2,249	2,249	-	-
High School Girls Basketball	4,385	5,713	4,852	-	5,246
Middle School Girls Basketball	-	678	678	-	-
High School Volleyball	941	7,390	6,213	-	2,118
Middle School Volleyball	-	540	540	-	-
Girls Soccer	5,358	18,846	21,249	-	2,955
High School Softball	1,962	5,421	4,922	-	2,461
Middle School Softball	-	879	879	-	-
High School Girls Track	934	12,218	13,152	-	-
Middle School Girls Track	-	2,361	2,361	-	-
Girls Tennis	-	109	109	-	-
Girls Golf	-	822	822	-	-
High School General Athletics	-	4,672	4,672	-	-
Middle School General Athletics	-	8,092	8,092	-	-
Booster Club	12,590	41,447	51,703	-	2,334
Annuals-prior years	2,716	3	726	-	1,993
Annual 2015	-	12,868	-	-	12,868

SEE ACCOMPANYING INDEPENDENT AUDITOR REPORT.

Schedule 5

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Transfers	Balance End of Year
High School Concessions	9,021	58,641	67,662	-	-
Middle School Concessions	3,662	11,958	15,620	-	-
Union After Prom	4,231	16,301	14,551	-	5,981
FFA	2,986	32,420	26,724	-	8,682
High School Dance Squad	2,676	5,357	7,129	-	904
Fruit/Juice Break	2,691	3	2,694	-	-
Elementary Annuals	-	3,223	3,189	-	34
Elem - LPC Art Show	338	-	163	-	175
Silver Cord - HS	-	102	102	-	-
Elem - LPC	6	-	-	-	6
Magazine sales	-	15,556	15,556	-	-
Math Club	119	-	-	-	119
National Honor Society	511	2,380	2,020	-	871
High School Cheerleaders	1,978	6,791	7,022	-	1,747
Middle School Cheerleaders	453	10	87	-	376
Middle School Dance Squad	-	860	860	-	-
Annual 2014	12,841	818	13,659	-	-
Class of 2015	854	-	854	-	-
Class of 2016	1,302	3,423	4,725	-	-
Class of 2017	2,068	2	-	-	2,070
Class of 2018	2,248	2	-	-	2,250
Class of 2019	1,932	728	-	-	2,660
Class of 2020	727	772	-	-	1,499
Class of 2021	-	843	-	-	843
Spanish Club	917	9,520	10,276	-	161
Student Council - DG	753	1,076	942	-	887
Student Council - HS	-	1,122	1,122	-	-
Student Council - LPC	5,089	2,181	881	-	6,389
Student Council - MS	4,869	2,919	4,744	-	3,044
Art Club	4,520	4,806	2,030	-	7,296
German Club	288	1,366	308	-	1,346
Talented and Gifted	473	240	234	-	479
Robotics	6,689	8,901	10,587	-	5,003
Mentors & Violence Prevention	-	460	88	-	372
Total	\$ 158,120	444,572	485,273	-	117,419

UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Bowers Estate	\$ 3,861	2	-	3,863
Larson Estate	23,617	9	-	23,626
High School Weight Room	7,373	1,308	6,334	2,347
Total	<u>\$ 34,851</u>	<u>1,319</u>	<u>6,334</u>	<u>29,836</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR REPORT.

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUND
 JUNE 30, 2015

	Bader Scholarship	Anders Scholarship	Ellis Jones Scholarship Pharmacy	Ellis Jones Scholarship Academic	FFA Scholarship	Art Scholarship	Misc Scholarship	Total
Assets								
Cash and pooled investments	\$ 369	106,936	87,619	82,607	2,646	680	250	281,107
Liabilities	-	-	-	-	-	-	-	-
Net Position								
Held in trust for scholarships	\$ 369	106,936	87,619	82,607	2,646	680	250	281,107

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUND
 YEAR ENDED JUNE 30, 2015

	Bader Scholarship	Anders Scholarship	Ellis Jones Scholarship Pharmacy	Ellis Jones Scholarship Academic	FFA Scholarship	Art Scholarship	Misc Scholarship	Total
Additions:								
Local sources:								
Gifts and contributions	\$ -	-	-	-	1,460	100	250	1,810
Interest income	-	1,003	61	58	1	-	-	1,123
Total additions	-	1,003	61	58	1,461	100	250	2,933
Deductions:								
Instruction:								
Regular:								
Scholarships awarded	250	2,000	-	1,000	3,375	-	250	6,875
Change in net position	(250)	(997)	61	(942)	(1,914)	100	-	(3,942)
Net position beginning of year	619	107,933	87,558	83,549	4,560	580	250	285,049
Net position end of year	\$ 369	106,936	87,619	82,607	2,646	680	250	281,107

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOLS DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2015

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 1,922	-	1,922	-
Liabilities				
Accounts payable	\$ 135	-	135	-
Due to other groups	1,787	-	1,787	-
Total liabilities	\$ 1,922	-	1,922	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 5,175,432	5,111,477	5,813,341	5,761,009	5,626,185	5,446,833	5,318,917	4,908,032	4,765,008	4,458,264
Tuition	355,548	349,637	441,767	355,966	355,847	336,776	335,516	323,064	386,344	352,167
Other	642,044	641,055	626,868	844,501	720,495	694,830	735,904	838,629	940,087	818,596
Intermediate sources	-	-	-	-	-	-	-	162,929	143,732	151,769
State sources	8,109,091	7,870,615	6,699,240	6,793,711	6,414,189	5,530,383	6,383,227	5,949,075	5,462,501	5,223,143
Federal sources	252,619	285,776	279,710	259,575	644,246	873,821	333,882	198,118	213,546	191,224
Total	\$ 14,534,734	14,258,560	13,860,926	14,014,762	13,760,962	12,882,643	13,107,446	12,379,847	11,911,218	11,195,163
Expenditures:										
Instruction:										
Regular	\$ 5,315,558	5,254,779	5,146,936	5,110,103	4,899,028	4,951,169	4,960,355	4,637,820	4,634,592	4,528,277
Special	1,704,070	1,557,072	1,715,298	1,847,718	1,464,316	1,342,679	1,602,117	1,251,387	1,364,343	1,295,911
Other	1,671,105	1,633,591	1,725,349	1,554,847	1,563,769	1,507,420	1,162,791	1,244,450	1,127,186	1,126,110
Support services:										
Student	401,072	349,512	333,360	311,893	310,315	297,358	318,617	249,800	238,529	231,459
Instructional staff	462,865	463,222	452,092	415,194	531,576	505,336	454,393	365,468	476,019	370,929
Administration	1,370,534	1,356,345	1,274,913	1,228,539	1,234,701	1,200,663	1,170,052	1,174,637	1,141,204	1,079,520
Operation and maintenance of plant	1,207,824	1,186,022	1,047,411	974,999	968,027	860,159	879,724	798,996	809,692	882,795
Transportation	986,551	756,544	805,244	744,423	711,315	625,797	807,307	729,181	758,313	719,310
Non-instructional programs:										
Food service operations	1,678	-	668	-	-	-	-	-	-	-
Other enterprise operations	1,275	571	1,932	1,180	955	11,749	3,916	795	3,571	6,903
Capital outlay	243,920	1,019,742	167,803	1,128,963	2,864,149	7,438,402	596,369	532,857	221,974	60,715
Long-term debt:										
Principal	420,000	415,000	410,000	405,000	9,305,000	-	430,000	370,000	325,000	290,000
Interest and fiscal charges	277,108	285,409	293,609	301,708	265,562	122,845	17,400	33,650	49,150	63,650
Other expenditures:										
AEA flowthrough	527,551	506,729	494,478	506,961	551,202	536,585	452,298	418,968	392,085	367,601
Total	\$ 14,591,111	14,784,538	13,869,093	14,531,528	24,669,915	19,400,162	12,855,339	11,808,009	11,541,658	11,023,180

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 Union Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Union Community School District as of and for the year ended June 30, 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 18, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

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

Union Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2016
Newton, Iowa

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

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

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

Conclusion - Response accepted.

OTHER MATTERS:

I-B-15 Deficit Lunch Account Balances - During our audit we noted multiple negative student lunch account balances on the Districts financial statements at June 30, 2015. Some of these negative amounts appeared to be excessive.

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

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

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

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

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

Response - The budget was amended however unexpected invoices were received in July which were determined to be for FY15. We will amend with higher amounts for unexpected expenses.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - We noted during our audit instances of disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Volunteer Gifts: We noted during our audit expenditures for gifts to volunteers paid from the Elem St. Council account within the Student Activity Fund. Gifts to volunteers do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from giving gifts to be in compliance with the Attorney General's opinion dated April 25, 1979.

Response - Administrators and building secretaries have been sent notification that volunteer gifts do not meet 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
Niel Mullen, Superintendent Nephew-in-law owns Gardner Plumbing	Services	\$2,773
Angela Bechthold, Teacher Nephew runs DJ service	DJ services	\$900
Louis Beck, Teacher Mother owns Breads by Ruth Beck	Supplies	\$1,290
Nancy McFarland, Bus driver Daughter owns La Porte City Printing & Design	Supplies	\$11,975
Deb Jungling, Teacher Husband owns Pronto Market	Supplies	\$23,822
Michael Winter, Bus Driver Owns Winter Auto	Services	\$1,218

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

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

- II-E-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 - We noted a the enrollment data certified to the Iowa Department of Education was overstated by 0.22 students.
- Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter
- Response - The District's auditors will contact the Iowa Department of Education and Iowa Department of Management to resolve this matter.
- Conclusion - Response accepted.
- II-H-15 Supplemental 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 filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 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 allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information includes the amounts the District reported for statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit:

Beginning Balance		\$ 489,540
Revenues:		
Sales tax revenues	\$ 1,144,220	
Other local revenues	974	1,145,194
		<u>1,634,734</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 142,235	
Equipment	62,554	
Other	69,371	
Transferred to other funds:		
Debt service fund	<u>711,600</u>	<u>985,760</u>
Ending Balance		<u><u>\$ 648,974</u></u>

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

- II-M-15 Financial Condition - At June 30, 2015, the District had a deficit unrestricted net position of \$3,412,723 in the governmental activities and the Nutrition Fund had a deficit unrestricted net position of \$59,014 and a deficit total net position of \$18,585. 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.

Response - We will attempt to educate our Administration and Board regarding the affect GASB 68 and 71 have on the District financials.

Conclusion - Response accepted.

- II-N-15 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

Inactive Accounts: We noted during our audit three accounts in the Student Activity Fund; Middle School Music, Elem LPC and Math Club; that are carrying balances and have had no activity for the past two fiscal years.

Recommendation - The District should review these accounts to determine if the accounts are still active or if they should be closed and the remaining monies reallocated at the discretion of the Board of Directors.

Response - We will review inactive accounts and transfer or maintain balances as advised by administrators.

Conclusion - Response accepted.

Scholarship: We noted during our audit the payment of a scholarship from the Student Activity fund.

Recommendation - When fundraising takes place the revenues should be recorded in the fund that may legally pay for the purpose of the fundraiser. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship fundraising should be placed and expended from the Private Purpose Trust Fund.

Response - Administrators have been notified and will share with sponsors that fundraisers for scholarships are to be deposited and expensed from the appropriate Trust Fund account.

Conclusion - Response accepted.