

UNITED COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2015

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	27
Notes to Financial Statements		28-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of the District's Proportionate Share of the Net Pension Liability		44
Schedule of District Contributions		45
Notes to Required Supplementary Information - Pension Liability		46-47
Schedule of Funding Progress for the Retiree Health Plan		48
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds		
Combining Balance Sheet	1	50
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	51
Capital Projects Accounts:		
Combining Balance Sheet	3	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	53
Schedule of Changes in Fiduciary Assets and Liabilities, Agency Fund	5	54
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6	55
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		56-57
Schedule of Findings		58-62

United Community School District

Officials

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

Valeria Brewer	President	2015
Ron Miller	Vice President	2017
Kathy Toms	Board Member	2015
Leonard Larsen	Board Member	2015
Kristen Zehner	Board Member	2017

School Officials

Sara Keehn	Superintendent	2015
Patti Artzer	District Secretary/ Treasurer	2015
Ahlers and Cooney, P.C.	Attorney	2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the United 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 United Community School District, Boone, 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of United 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 13 to the financial statements, United Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 48 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 United Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

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

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

April 14, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

United 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 decreased from \$4,472,892 in fiscal year 2014 to \$4,070,861 in fiscal year 2015, while General Fund expenditures decreased from \$4,176,603 in fiscal 2014 to \$4,096,222 in fiscal year 2015. The District's General Fund balance decreased from \$986,747 at June 30, 2014 to \$961,386 at June 30, 2015, a decrease of 2.57% from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local source revenues in fiscal year 2015. The decrease in expenditures was due primarily to a decrease in the instructional functional area.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of United 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 United 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 United Community School District acts solely as an agent or custodial for the benefit of those outside of the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, The District's proportionate share of the net pension liability and related contributions, as well presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major governmental funds.

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

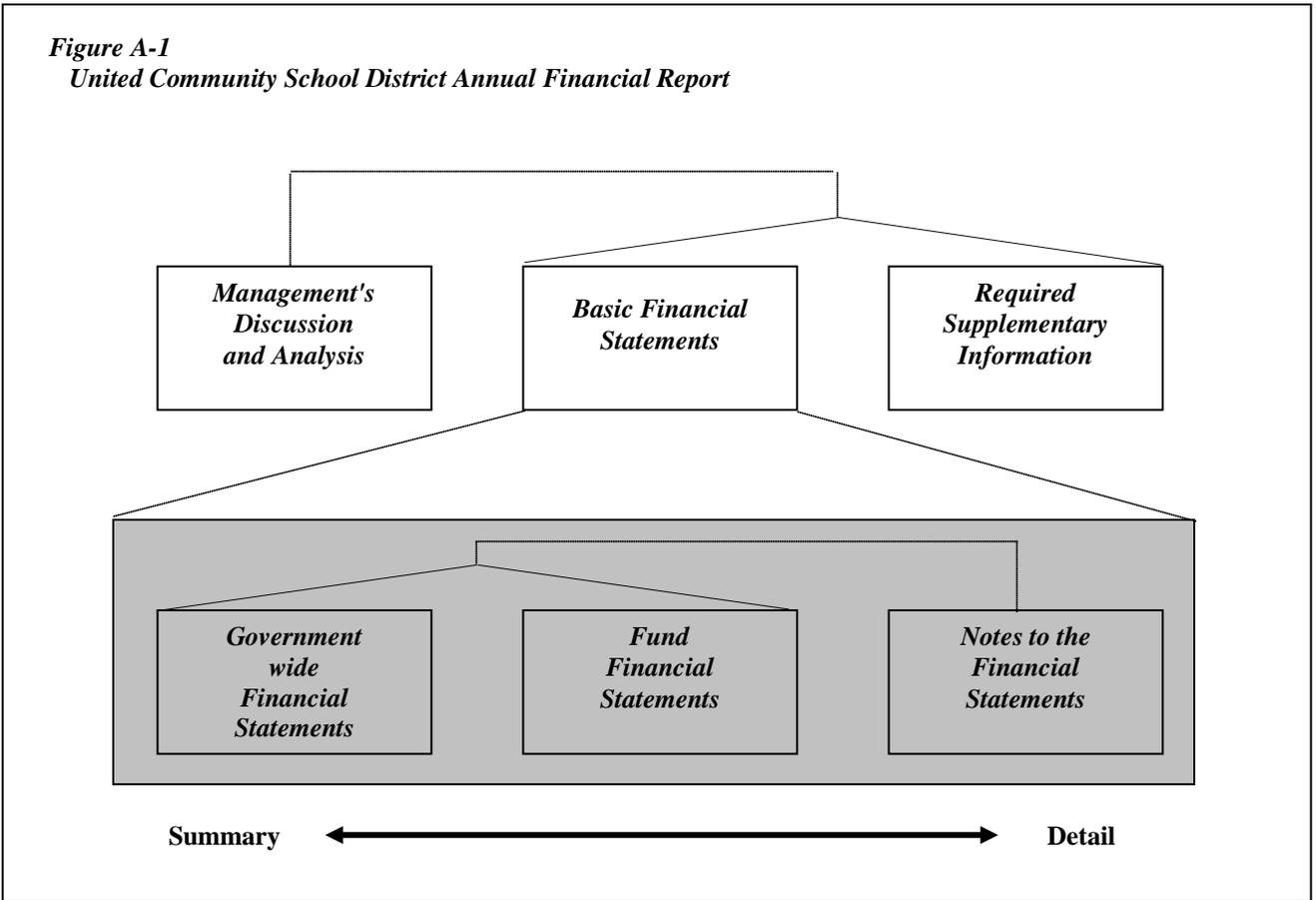


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 operations	Instances in which the district administers resources on behalf of someone else
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 fund balance 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 or resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

The District has 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, the Debt Service Fund and the 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 funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition Fund, the School Resale Fund and the Daycare Fund.

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

- 3) Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. This would include the Agency Fund.
- Agency Fund - These are funds for which the District administers and accounts for certain revenues collected for the District's non-public purpose expenditures.

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 Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position 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 total net position at June 30, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30,		June 30,		June 30,	June 30,	
	2014		2014		2014	2014-15	
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-15
Current and other assets	\$ 5,516,348	6,262,202	366,074	253,181	5,882,422	6,515,383	-9.71%
Capital assets	3,211,076	3,197,283	10,396	14,546	3,221,472	3,211,829	0.30%
Total assets	8,727,424	9,459,485	376,470	267,727	9,103,894	9,727,212	-6.41%
Deferred outflows of resources	217,960	-	20,863	-	238,823	-	100.00%
Long-term liabilities	1,117,817	156,807	27,306	20,516	1,145,123	177,323	545.78%
Other liabilities	385,011	538,723	139,916	14,949	524,927	553,672	-5.19%
Total liabilities	1,502,828	695,530	167,222	35,465	1,670,050	730,995	128.46%
Deferred inflows of resources	2,409,359	2,837,430	45,536	-	2,454,895	2,837,430	-13.48%
Net position:							
Net investment in capital assets	3,211,076	3,197,283	10,396	14,546	3,221,472	3,211,829	0.30%
Restricted	2,093,395	1,845,365	-	-	2,093,395	1,845,365	13.44%
Unrestricted	(271,274)	883,877	174,179	217,716	(97,095)	1,101,593	-108.81%
Total net position	\$ 5,033,197	5,926,525	184,575	232,262	5,217,772	6,158,787	-15.28%

The District's combined net position decreased by 15.28%, or \$941,015 from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the invested in capital assets are liquidated with sources other than capital assets.

Restricted net position represent 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 by \$248,030 or

13.44% over the prior year. The increase in restricted net position is due in part to the increase in the fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

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 \$1,198,688, or 108.81%. The increase in unrestricted net position is due 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 \$1,178,701 and \$146,875, 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, 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 years ended June 30, 2015 compared to June 30, 2014.

	Figure A-4 Change in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 669,970	812,077	299,501	315,577	969,471	1,127,654	-14.03%
Operating grants, contributions and restricted interest	369,356	303,734	62,650	64,853	432,006	368,587	17.21%
Capital grants, contributions and restricted interest	3,500	83,651	-	-	3,500	83,651	-95.82%
General revenues:							
Property tax	2,361,241	2,732,464	-	-	2,361,241	2,732,464	-13.59%
Income surtax	188,454	166,672	-	-	188,454	166,672	13.07%
Statewide sales, services and use tax	319,152	369,697	-	-	319,152	369,697	-13.67%
Unrestricted state grants	1,010,039	893,090	-	-	1,010,039	893,090	13.09%
Unrestricted interest revenue	804	377	11	8	815	385	111.69%
Other	57,667	36,482	1,372	323	59,039	36,805	60.41%
Total revenues	4,980,183	5,398,244	363,534	380,761	5,343,717	5,779,005	-7.53%
Program expenses:							
Instructional	3,104,364	3,215,819	61,752	149,476	3,166,116	3,365,295	-5.92%
Support services	1,261,549	1,108,399	1,365	2,857	1,262,914	1,111,256	13.65%
Non-instructional programs	-	-	201,229	205,082	201,229	205,082	-1.88%
Other expenses	328,897	319,134	-	-	328,897	319,134	3.06%
Total expenses	4,694,810	4,643,352	264,346	357,415	4,959,156	5,000,767	-0.83%
Change in net position	285,373	754,892	99,188	23,346	384,561	778,238	51%
Net position beginning of year, as restated	4,747,824	5,171,633	85,387	208,916	4,833,211	5,380,549	-10.17%
Net position end of year	\$ 5,033,197	5,926,525	184,575	232,262	5,217,772	6,158,787	-15.28%

In fiscal 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 77.89% of the revenue from governmental activities while charges for services and operating grants, contributions, and restricted interest account for 99.62% the revenue from business type activities.

The District's total revenues were \$5,343,717 of which \$4,980,183 was for governmental activities and \$363,534 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.53% decrease in revenues and a .83% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$4,980,183 and expenses were \$4,694,810 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 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 3,104,364	3,215,819	-3.47%	2,195,287	2,225,990	-1.38%
Support services	1,261,549	1,108,399	13.82%	1,255,906	1,023,214	22.74%
Other expenses	328,897	319,134	3.06%	200,791	194,686	3.14%
Totals	\$ 4,694,810	4,643,352	1.11%	3,651,984	3,443,890	6.04%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$669,970.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$372,856.
- The net cost of governmental activities was financed with \$2,361,241 in property tax, \$188,454 in income surtax, \$319,152 in statewide sales, services and use tax, \$1,010,039 in unrestricted state grants, \$804 in unrestricted interest, and \$57,667 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$363,534 and expenses were \$264,346. The District's business type activities include the School Nutrition Fund, the School Resale, and the Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, interest income and other general revenue.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,924,473, above last year's ending fund balances of \$2,748,600. The primary reason for the increase in combined fund balances in fiscal year 2015 is the increase in the fund balance of the General Fund and the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. The District local tax and tuition revenues decreased as compared to the prior year, which resulted in an decrease in total revenues. This decrease in revenues offset the decrease in instructional and support service expenditures causing an decrease in the General Fund balance from \$986,747 at June 30, 2014 to \$961,386 at June 30, 2015.
- The Capital Projects accounts balance increased from \$1,429,696 at June 30, 2014 to \$1,562,498 at June 30, 2015. This increase is due in part to a decrease in construction costs as compared to the prior year.

Proprietary Fund Highlights

The District's stable Proprietary Funds financial position is the product of many factors:

- The Proprietary Fund net position increased from a restated, \$85,387 at June 30, 2014 to \$184,575 at June 30, 2015, representing an increase of 116.16%.
- The District's Nutrition Fund balance decreased from a restated deficit of \$18,735 at June 30, 2014 to a deficit \$5,019 at June 30, 2015, representing an increase of 73.21%.
- The District's Day Care Fund increased from a restated \$87,959 at June 30, 2014 to \$173,881 at June 30, 2015, representing an increase of 97.68%. The increase in fund balance is the result of a decrease in instruction expenses as compared to the prior year.
- The District's School Store Fund balance decreased from \$16,163 at June 30, 2014 to \$15,713 at June 30, 2015, representing a decrease of 2.78%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$226,017 more than budgeted revenues, a variance of 4.44%. The most significant variance resulted from the District receiving less in local source than originally anticipated.

Total expenditures were less than budgeted, 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 due to the timing of expenditures at year end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$3,221,472 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of .43% from the prior year. Additional detailed information about the capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$285,142.

The original cost of the District's capital assets was \$7,393,378. Governmental funds account for \$7,282,877 with the remainder of \$110,501 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress had an \$0 balance at June 30, 2014 compared to \$83,486 reported at June 30, 2015. The increase in construction in progress was attributable to the start of the District's west entrance and waterline project.

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	\$ 30,821	30,821	-	-	30,821	30,821	0.00%
Construction in progress	83,486	-	-	-	83,486	-	100.00%
Buildings and improvements	2,439,151	2,591,601	-	-	2,439,151	2,591,601	-5.88%
Land improvements	378,151	302,077	-	-	378,151	302,077	25.18%
Machinery and equipment	279,467	272,784	10,396	10,396	289,863	283,180	2.36%
Total	\$ 3,211,076	3,197,283	10,396	10,396	3,221,472	3,207,679	0.43%

Long-Term Debt

At June 30, 2015, the District had \$1,257,733 in long-term debt outstanding. This represents an increase of 609.29% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding compensated absences at June 30, 2015 of \$11,815, payable from the General Fund.

The District had net OPEB liability payable of \$168,299 at June 30, 2015, \$147,783 attributable to governmental activities and \$20,516 attributable to business type activities.

The District had net pension liability payable of \$1,077,619 at June 30, 2015, \$958,219 attributable to governmental activities and \$119,400 attributable to business type activities.

Figure A-7
Outstanding Long-Term Obligations

	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
		(Not restated)		(Not restated)		(Not restated)	
Compensated absences	\$ 11,815	9,024	-	-	11,815	9,024	30.93%
Net OPEB obligation	147,783	147,783	20,516	20,516	168,299	168,299	0.00%
Net pension liability	958,219	-	119,400	-	1,077,619	-	100.00%
Total	\$ 1,117,817	156,807	139,916	20,516	1,257,733	177,323	609.29%

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 IPERS rate remained at 8.93% for fiscal year 2015, and will remain at 8.93% for fiscal years 2016 and 2017, which helps hold down benefits costs.
- The medical insurance rates will increase by 2.26% for fiscal year 2016 which will increase benefits costs. Medical insurance rates will increase by 9.90% for fiscal year 2017 which will increase benefits costs.
- Certified enrollment decreased from 339.6 for fiscal year 2014 to 338.9 for fiscal year 2015. Certified enrollment is expected to increase slightly for the next few years.
- Open enrollment is 50% of total enrollment and is expected to remain the same or increase slightly in the next few years.
- The District is closely monitoring revenues and expenditures.

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 Patti Artzer, Board Secretary/Treasurer, United Community School District, 1284 U Avenue, Boone, Iowa, 50036.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 2,938,458	360,566	3,299,024
Receivables:			
Property tax:			
Delinquent	14,483	-	14,483
Succeeding year	2,043,922	-	2,043,922
Income surtax	162,942	-	162,942
Due from other governments	356,543	1,936	358,479
Inventories	-	3,572	3,572
Capital assets, net of accumulated depreciation	3,211,076	10,396	3,221,472
Total assets	8,727,424	376,470	9,103,894
Deferred Outflows of Resources			
Pension related deferred outflows	217,960	20,863	238,823
Liabilities			
Accounts payable	169,508	386	169,894
Salaries and benefits payable	215,153	16,011	231,164
Advances from grantors	350	-	350
Unearned revenue	-	10,909	10,909
Long-term liabilities:			
Portion due within one year:			
Compensated absences payable	11,815	-	11,815
Portion due after one year:			
Net pension liability	958,219	119,400	1,077,619
Net OPEB liability	147,783	20,516	168,299
Total liabilities	1,502,828	167,222	1,670,050
Deferred Inflows of Resources			
Pension related deferred inflows	365,437	45,536	410,973
Unavailable property tax revenue	2,043,922	-	2,043,922
Total Deferred Inflows of Resources	2,409,359	45,536	2,454,895
Net Position			
Net investment in capital assets	3,211,076	10,396	3,221,472
Restricted for:			
Categorical funding	130,308	-	130,308
Management levy purposes	400,545	-	400,545
Student activities	44	-	44
School infrastructure	994,272	-	994,272
Physical plant and equipment	568,226	-	568,226
Unrestricted	(271,274)	174,179	(97,095)
Total net position	\$ 5,033,197	184,575	5,217,772

SEE NOTES TO FINANCIAL STATEMENTS

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs							
Governmental activities:							
Instruction:							
Regular	\$ 2,429,536	581,254	11,879	-	(1,836,403)	-	(1,836,403)
Special	397,571	88,716	92,668	-	(216,187)	-	(216,187)
Other	277,257	-	134,560	-	(142,697)	-	(142,697)
	<u>3,104,364</u>	<u>669,970</u>	<u>239,107</u>	<u>-</u>	<u>(2,195,287)</u>	<u>-</u>	<u>(2,195,287)</u>
Support services:							
Student	94,833	-	-	-	(94,833)	-	(94,833)
Instructional staff	78,290	-	-	-	(78,290)	-	(78,290)
Administration	372,445	-	-	-	(372,445)	-	(372,445)
Operation and maintenance of plant	418,349	-	-	3,500	(414,849)	-	(414,849)
Transportation	297,632	-	2,143	-	(295,489)	-	(295,489)
	<u>1,261,549</u>	<u>-</u>	<u>2,143</u>	<u>3,500</u>	<u>(1,255,906)</u>	<u>-</u>	<u>(1,255,906)</u>
Other expenditures:							
AEA flowthrough	128,106	-	128,106	-	-	-	-
Depreciation(unallocated)*	200,791	-	-	-	(200,791)	-	(200,791)
	<u>328,897</u>	<u>-</u>	<u>128,106</u>	<u>-</u>	<u>(200,791)</u>	<u>-</u>	<u>(200,791)</u>
Total governmental activities	<u>4,694,810</u>	<u>669,970</u>	<u>369,356</u>	<u>3,500</u>	<u>(3,651,984)</u>	<u>-</u>	<u>(3,651,984)</u>
Business type activities:							
Instruction:							
Other	61,752	-	-	-	-	(61,752)	(61,752)
Support services:							
Administration	160	-	-	-	-	(160)	(160)
Operation and maintenance of plant	1,205	-	-	-	-	(1,205)	(1,205)
	<u>1,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,365)</u>	<u>(1,365)</u>
Non-instructional programs:							
Food service operations	107,280	58,179	62,650	-	-	13,549	13,549
Daycare services	91,811	239,634	-	-	-	147,823	147,823
School store activities	2,138	1,688	-	-	-	(450)	(450)
	<u>201,229</u>	<u>299,501</u>	<u>62,650</u>	<u>-</u>	<u>-</u>	<u>160,922</u>	<u>160,922</u>
Total business type activities	<u>264,346</u>	<u>299,501</u>	<u>62,650</u>	<u>-</u>	<u>-</u>	<u>97,805</u>	<u>97,805</u>
Total	<u>\$ 4,959,156</u>	<u>969,471</u>	<u>432,006</u>	<u>3,500</u>	<u>(3,651,984)</u>	<u>97,805</u>	<u>(3,554,179)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,958,844	-	1,958,844
Capital outlay					402,397	-	402,397
Income surtax					188,454	-	188,454
Statewide sales, services and use tax					319,152	-	319,152
Unrestricted state grants					1,010,039	-	1,010,039
Unrestricted investment earnings					804	11	815
Other					57,667	1,372	59,039
Total general revenues					<u>3,937,357</u>	<u>1,383</u>	<u>3,938,740</u>
Change in net position					285,373	99,188	384,561
Net position beginning of year					<u>4,747,824</u>	<u>85,387</u>	<u>4,833,211</u>
Net position end of year					<u>\$ 5,033,197</u>	<u>184,575</u>	<u>5,217,772</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 963,974	1,574,825	399,659	2,938,458
Receivables:				
Property tax:				
Delinquent	11,142	2,411	930	14,483
Succeeding year	1,706,394	337,528	-	2,043,922
Income surtax	162,942	-	-	162,942
Due from other governments	259,324	97,219	-	356,543
Total assets	\$ 3,103,776	2,011,983	400,589	5,516,348
Liabilities, Deferred Inflows of and Fund Balances				
Liabilities:				
Accounts payable	\$ 57,551	111,957	-	169,508
Salaries and benefits payable	215,153	-	-	215,153
Advances from grantors	350	-	-	350
Total liabilities	273,054	111,957	-	385,011
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,706,394	337,528	-	2,043,922
Income surtax	162,942	-	-	162,942
Total deferred inflows of resources	1,869,336	337,528	-	2,206,864
Fund balances:				
Restricted for:				
Categorical funding	130,308	-	-	130,308
Management levy purposes	-	-	400,545	400,545
Student activities	-	-	44	44
School infrastructure	-	994,272	-	994,272
Physical plant and equipment	-	568,226	-	568,226
Unassigned	831,078	-	-	831,078
Total fund balances	961,386	1,562,498	400,589	2,924,473
Total liabilities, deferred inflows of resources and fund balances	\$ 3,103,776	2,011,983	400,589	5,516,348

SEE NOTES TO FINANCIAL STATEMENTS

UNITED 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)	\$	2,924,473
 <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 in the governmental funds.		3,211,076
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		162,942
 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	\$ 217,960	
Deferred inflows of resources	<u>(365,437)</u>	(147,477)
 Long-term liabilities, including compensated absences payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		 <u>(1,117,817)</u>
 Net position of governmental activities(page 18)	 \$	 <u><u>5,033,197</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

UNITED 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	\$ 1,971,021	402,396	150,785	2,524,202
Tuition	649,740	-	-	649,740
Other	70,859	4,267	7,075	82,201
State sources	1,253,556	319,263	43	1,572,862
Federal sources	125,685	-	-	125,685
Total revenues	<u>4,070,861</u>	<u>725,926</u>	<u>157,903</u>	<u>4,954,690</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,314,999	48,819	54,159	2,417,977
Special	407,276	-	-	407,276
Other	271,667	-	111	271,778
	<u>2,993,942</u>	<u>48,819</u>	<u>54,270</u>	<u>3,097,031</u>
Support services:				
Student	96,914	-	-	96,914
Instructional staff	19,552	59,957	-	79,509
Administration	363,853	13,697	4,006	381,556
Operation and maintenance of plant	250,388	132,432	21,811	404,631
Transportation	235,363	87,019	9,384	331,766
	<u>966,070</u>	<u>293,105</u>	<u>35,201</u>	<u>1,294,376</u>
Capital outlay	-	259,304	-	259,304
Other expenditures:				
AEA flowthrough	128,106	-	-	128,106
Total expenditures	<u>4,088,118</u>	<u>601,228</u>	<u>89,471</u>	<u>4,778,817</u>
Excess (deficiency) of revenues over(under) expenditures	(17,257)	124,698	68,432	175,873
Other financing sources(uses):				
Transfer out	(8,104)	-	-	(8,104)
Transfer in	-	8,104	-	8,104
Total other financing sources(uses)	<u>(8,104)</u>	<u>8,104</u>	<u>-</u>	<u>-</u>
Change in fund balances	(25,361)	132,802	68,432	175,873
Fund balance beginning of year	986,747	1,429,696	332,157	2,748,600
Fund balance end of year	<u>\$ 961,386</u>	<u>1,562,498</u>	<u>400,589</u>	<u>2,924,473</u>

SEE NOTES TO FINANCIAL STATEMENTS

UNITED 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) \$ 175,873

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

Capital outlay 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, depreciation expense and loss on disposal of capital assets in the current year, are as follows:

Capital outlay	\$ 294,785	
Depreciation expense	<u>(280,992)</u>	13,793

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		25,493
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The current year Distirct employer share of IPERS contirubutions are reported as expenditures in the governmental funds, but are reported as deferred outflow of resources in the Statement of Net Position.		148,613
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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.		
Compensated absences	\$ (2,791)	
Pension expense	<u>(75,608)</u>	(78,399)

Change in net position of governmental activities(page 19)		<u><u>\$ 285,373</u></u>
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SEE NOTES TO FINANCIAL STATEMENTS

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

	Business Type Activities: Nonmajor Enterprise Funds			
	School Nutrition	Daycare	School Store	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 10,949	333,904	15,713	360,566
Receivables:				
Accounts	-	1,936	-	1,936
Inventories	3,572	-	-	3,572
Total current assets	14,521	335,840	15,713	366,074
Noncurrent assets:				
Capital assets, net of accumulated depreciation	10,396	-	-	10,396
Total assets	24,917	335,840	15,713	376,470
Deferred Outflows of Resources				
Pension related deferred outflows	4,315	16,548	-	20,863
Liabilities				
Current liabilities:				
Accounts payable	7	379	-	386
Salaries and benefits payable	-	16,011	-	16,011
Unearned revenue	1,885	9,024	-	10,909
Total current liabilities	1,892	25,414	-	27,306
Noncurrent liabilities:				
Net pension liability	18,966	100,434	-	119,400
Net OPEB liability	6,160	14,356	-	20,516
Total noncurrent liabilities	25,126	114,790	-	139,916
Total liabilities	27,018	140,204	-	167,222
Deferred Inflows of Resources				
Pension related deferred inflows	7,233	38,303	-	45,536
Net Position				
Net investment in capital assets	10,396	-	-	10,396
Unrestricted	(15,415)	173,881	15,713	174,179
Total net position	\$ (5,019)	173,881	15,713	184,575

SEE NOTES TO FINANCIAL STATEMENTS

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

	Business Type Activities: Nonmajor Enterprise Funds			Total
	School Nutrition	Daycare	School Store	
Operating revenues:				
Local sources:				
Charges for services	\$ 58,179	239,634	1,688	299,501
Miscellaneous	1,372	-	-	1,372
Total operating revenues	<u>59,551</u>	<u>239,634</u>	<u>1,688</u>	<u>300,873</u>
Operating expenses:				
Instruction:				
Other:				
Salaries	-	34,896	-	34,896
Benefits	-	12,862	-	12,862
Services	-	358	-	358
Supplies	-	13,255	-	13,255
Other	-	381	-	381
	<u>-</u>	<u>61,752</u>	<u>-</u>	<u>61,752</u>
Support services:				
Administration:				
Services	-	160	-	160
Operation and maintenance of plant:				
Services	1,205	-	-	1,205
	<u>1,205</u>	<u>160</u>	<u>-</u>	<u>1,365</u>
Non-instructional programs:				
Food service operations:				
Salaries	25,295	-	-	25,295
Benefits	8,960	-	-	8,960
Supplies	67,966	-	-	67,966
Depreciation	4,150	-	-	4,150
Other	909	-	-	909
	<u>107,280</u>	<u>-</u>	<u>-</u>	<u>107,280</u>
Community service operations:				
Salaries	-	67,634	-	67,634
Benefits	-	14,111	-	14,111
Supplies	-	7,702	-	7,702
Other	-	2,364	-	2,364
	<u>-</u>	<u>91,811</u>	<u>-</u>	<u>91,811</u>
Other enterprise operations:				
Supplies	-	-	2,138	2,138
Total operating expenses	<u>108,485</u>	<u>153,723</u>	<u>2,138</u>	<u>264,346</u>
Operating income(loss)	<u>(48,934)</u>	<u>85,911</u>	<u>(450)</u>	<u>36,527</u>
Non-operating revenues:				
State sources	1,173	-	-	1,173
Federal sources	61,477	-	-	61,477
Interest income	-	11	-	11
Total non-operating revenues	<u>62,650</u>	<u>11</u>	<u>-</u>	<u>62,661</u>
Change in net position	13,716	85,922	(450)	99,188
Net position beginning of year, as restated	<u>(18,735)</u>	<u>87,959</u>	<u>16,163</u>	<u>85,387</u>
Net position end of year	<u>\$ (5,019)</u>	<u>173,881</u>	<u>15,713</u>	<u>184,575</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Nonmajor Enterprise Funds			
	School Nutrition	Daycare	School Store	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 58,939	-	-	58,939
Cash received from daycare services	-	248,619	-	248,619
Cash received from school store sales	-	-	1,688	1,688
Cash received from miscellaneous	1,372	-	-	1,372
Cash payments to employees for services	(39,374)	(114,847)	-	(154,221)
Cash payments to suppliers for goods or services	(60,820)	(24,043)	(2,138)	(87,001)
Net cash provided by(used in) operating activities	(39,883)	109,729	(450)	69,396
Cash flows from non-capital financing activities:				
Repayments to the School Store	(6,570)	-	6,570	-
State grants received	1,173	-	-	1,173
Federal grants received	50,573	-	-	50,573
Net cash provided by(used in) non-capital financing activities	45,176	-	6,570	51,746
Cash flows from investing activities:				
Interest on investments	-	11	-	11
Net increase in cash and cash equivalents	5,293	109,740	6,120	121,153
Cash and cash equivalents beginning of year	5,656	224,164	9,593	239,413
Cash and cash equivalents end of year	\$ 10,949	333,904	15,713	360,566
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (48,934)	85,911	(450)	36,527
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities used	10,904	-	-	10,904
Depreciation	4,150	-	-	4,150
Increase in inventories	(1,651)	-	-	(1,651)
Decrease in accounts receivable	430	2,911	-	3,341
Increase in accounts payable	7	177	-	184
(Decrease)Increase in salaries and benefits payable	(3,672)	16,011	-	12,339
Increase in unearned revenue	330	6,074	-	6,404
Decrease in net pension liability	(7,159)	(37,908)	-	(45,067)
Increase in deferred outflows of resources	(1,521)	(1,750)	-	(3,271)
Increase in deferred inflows of resources	7,233	38,303	-	45,536
Net cash provided by(used in) operating activities	\$ (39,883)	109,729	(450)	69,396

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received Federal commodities valued at \$10,904.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Agency Fund
Assets	
Cash and pooled investments	\$ 2,029
Liabilities	
Due to other groups	2,029
Net position	\$ -

SEE NOTES TO FINANCIAL STATEMENTS.

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

Note 1. Summary of Significant Accounting Policies

The United Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Boone, Iowa, and the predominate agricultural territory in Story and Boone 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, United Community School District has included all funds, organizations agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The United Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of 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 non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balance 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 two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

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

The District's nonmajor proprietary funds are the Enterprise, School Nutrition Fund; Enterprise, School Resale Fund and the Enterprise, Daycare Fund. The Enterprise, Nutrition Fund is used to account for the food service operations of the District. The Enterprise, School Resale Fund is used to account for the resale operations of the District. The Enterprise, Daycare Fund is used to account for the daycare operations of the District.

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, 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	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
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 teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay

liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Unearned 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 Enterprise, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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.

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgeting and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2015 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool 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 and the Treasurer of the State of Iowa; 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 School Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$687,666 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
Capital Projects: Physical Plant and Equipment Levy	General	<u>\$ 8,104</u>

The transfer from the General Fund to the Capital Projects: Physical Plant and Equipment Levy was needed to for a corrective transfer.

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 30,821	-	-	30,821
Construction in progress	83,486	-	-	83,486
Total capital assets not being depreciated	<u>114,307</u>	<u>-</u>	<u>-</u>	<u>114,307</u>
Capital assets being depreciated:				
Buildings and improvements	4,419,286	5,890	-	4,425,176
Land improvements	772,061	118,525	-	890,586
Machinery and equipment	1,765,924	86,884	-	1,852,808
Total capital assets being depreciated	<u>6,957,271</u>	<u>211,299</u>	<u>-</u>	<u>7,168,570</u>
Less accumulated depreciation for:				
Buildings and improvements	1,827,685	158,340	-	1,986,025
Land improvements	469,984	42,451	-	512,435
Machinery and equipment	1,493,140	80,201	-	1,573,341
Total accumulated depreciation	<u>3,790,809</u>	<u>280,992</u>	<u>-</u>	<u>4,071,801</u>
Total capital assets being depreciated, net	<u>3,166,462</u>	<u>(69,693)</u>	<u>-</u>	<u>3,096,769</u>
Governmental activities capital assets, net	<u>\$ 3,280,769</u>	<u>(69,693)</u>	<u>-</u>	<u>3,211,076</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 110,501	-	-	110,501
Less accumulated depreciation	95,955	4,150	-	100,105
Business type activities capital assets, net	<u>\$ 14,546</u>	<u>(4,150)</u>	<u>-</u>	<u>10,396</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 12,184
Support services:		
Student		289
Administration		3,753
Operation and maintenance of plant		11,429
Transportation		52,546
		<u>80,201</u>
Unallocated depreciation		<u>200,791</u>
		<u>280,992</u>
Business type activities:		
Food services operations		<u>4,150</u>

Note 5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated absences	\$ 9,024	11,815	9,024	11,815	11,815
Net OPEB liability	147,783	-	-	147,783	-
Net pension liability	1,319,887	-	361,668	958,219	-
Total	<u>\$ 1,476,694</u>	<u>11,815</u>	<u>370,692</u>	<u>1,117,817</u>	<u>11,815</u>
Business type activities:					
Net OPEB liability	\$ 20,516			20,516	
Net pension liability	164,467	-	45,067	119,400	-
Total	<u>\$ 184,983</u>	<u>-</u>	<u>45,067</u>	<u>139,916</u>	<u>-</u>

Note 6. 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 \$160,836.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$1,077,619 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 .026627 percent, which was an increase of .000411 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$85,029. 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	\$ 11,712	\$ -
Changes of assumptions	47,558	-
Net difference between projected and actual earnings on pension plan investments	-	410,973
Changes in proportion and differences between District contributions and proportionate share of contributions	18,717	
District contributions subsequent to the measurement date	160,836	-
Total	\$ 238,823	\$ 410,973

\$160,836 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	\$ (84,522)
2017	(84,522)
2018	(84,522)
2019	(84,522)
2020	5,102
	<u>\$ (332,986)</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-percentagepoint 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	\$ 2,036,132	\$ 1,077,619	\$ 268,536

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 \$14,240 for legally required employer contributions and \$9,488 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7. Other Postemployment Benefits

Plan Description - The District operates a single-employer health benefit plan, which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 43 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark Blue Cross Blue. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which result in an implicit rate subsidy and an OPEB liability. The District also offers early retirement benefits in the form of health insurance benefits resulting in an explicit subsidy to the 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 and unfunded actuarial liabilities over a period not to exceed 30 years.

GASB Statement No. 45 allows Districts with fewer than 100 employees included on the District’s health plan to use the Alternative Measurement Method to determine the net OPEB liability. Those Districts with fewer than 100 members are required to get new actuarial valuations every three years barring a substantial change in the plan. Under the Alternative Measurement Method, the net OPEB liability remains the same until the District is required to renew their actuarial valuation. The net OPEB liability as of the most recent valuation is \$168,299. The District is scheduled to need a new valuation dated July 1, 2015 for fiscal year 2016.

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 as of June 30, 2015 are summarized as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2013	17,426	75.29%	168,299
2014	-	0.00%	168,299
2015	-	0.00%	168,299

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 \$157,847, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$157,847. The covered payroll (annual payroll of active employees covered by the plan) was \$1,339,061 and the ratio of the UAAL to covered payroll was 11.79%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as

required supplementary information in the section following the Notes to Financial Statements, will present 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 July 1, 2012 actuarial valuation date, the Entry Age Cost Method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The medical trend rate increases 3% each year.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2015 were \$285,503.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw.

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

Note 9. Operating Lease

The District entered into an operating lease for District printers in September 2014 and copier equipment in January 2015. Details of the contract include a 60 month lease period expiring November 2019 with base charges of \$436.00 per month for the printers and 60 month lease period expiring March 2020 with base charges of \$729.20 for the copiers.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$128,106 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Deficit Unassigned Fund Balance and Unrestricted Net Position

The Governmental Activates Fund had a deficit unrestricted net position of \$271,274. The Enterprise, School Nutrition Fund had deficit unrestricted net position balance of \$15,415 with a total deficit net position of \$5,019 at June 30, 2015.

Note 12. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 18,736
Dropout and dropout prevention	36,060
Transportation assistance	1,255
Market factor	18
Iowa early intervention block grant	20,146
Successful progression for early readers	14,668
Professional development for model core curriculum	8,220
Professional development	24,862
Teacher leadership grants	6,112
Governor's advisory council STEM scale-up programs	231
Total	<u>\$ 130,308</u>

Note 13. 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:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 5,926,525	\$ 216,099
Net pension liability at June 30, 2014	(1,319,887)	(164,467)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	141,186	17,592
Net position July 1, 2014, as restated	<u>\$ 4,747,824</u>	<u>\$ 72,018</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 3,256,143	300,884	3,557,027	3,689,685	3,689,685	(132,658)
State sources	1,572,862	1,173	1,574,035	1,267,522	1,267,522	306,513
Federal sources	125,685	61,477	187,162	135,000	135,000	52,162
Total revenues	4,954,690	363,534	5,318,224	5,092,207	5,092,207	226,017
Expenditures/expenses:						
Instruction	3,097,031	61,752	3,158,783	3,246,300	3,246,300	87,517
Support services	1,294,376	1,365	1,295,741	1,600,500	1,600,500	304,759
Non-instructional programs	-	201,229	201,229	218,000	218,000	16,771
Other expenditures	387,410	-	387,410	141,608	141,608	(245,802)
Total expenditures/expenses	4,778,817	264,346	5,043,163	5,206,408	5,206,408	163,245
Excess(Deficiency) of revenues and other financing sources	175,873	99,188	275,061	(114,201)	(114,201)	389,262
Other financing sources, net	-	-	-	-	-	-
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing sources	175,873	99,188	275,061	(114,201)	(114,201)	389,262
Balance beginning of year	2,748,600	85,387	2,833,987	2,652,497	2,652,497	181,490
Balance end of year	\$ 2,924,473	184,575	3,109,048	2,538,296	2,538,296	570,752

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year-end.

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

During the year ended June 30,2015 expenditures in the other expenditures functional area exceeded the amounts budgeted.

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

	2015
District's proportion of the net pension liability	0.026627%
District's proportionate share of the net pension liability	\$ 1,077,619
District's covered-employee payroll	\$ 1,801,075
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.83%
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: Only the current fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

UNITED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 160,836	158,931	146,919	131,428	107,803	111,000	107,504	99,814	77,243	77,273
Contributions in relation to the statutorily required contribution	(160,836)	(158,931)	(146,919)	(131,428)	(107,803)	(111,000)	(107,504)	(99,814)	(77,243)	(77,273)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 1,801,075	1,779,742	1,694,567	1,628,600	1,551,122	1,597,122	1,692,976	1,649,818	1,343,357	1,343,878
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.

UNITED 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.

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

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

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

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

Year Ended June, 30	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 787,000	787,000	0.00%	\$ 1,333,634	59.01%
2011	July 1, 2009	-	787,000	787,000	0.00%	1,368,013	57.53%
2012	July 1, 2009	-	787,000	787,000	0.00%	1,105,489	71.19%
2013	July 1, 2012	-	157,847	157,847	0.00%	2,192,646	7.20%
2014	July 1, 2012	-	157,847	157,847	0.00%	1,261,041	12.52%
2015	July 1, 2012	-	157,847	157,847	0.00%	1,339,061	11.79%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Student Activity*	Manage- ment Levy	Total
Assets			
Cash and pooled investments	\$ 44	399,615	399,659
Receivables:			
Property tax:			
Delinquent	-	930	930
Total assets	\$ 44	400,545	400,589
Liabilities and Fund Balances			
Liabilities:	\$ -	-	-
Fund balances:			
Restricted for:			
Management levy purposes	-	400,545	400,545
Student activities	44	-	44
Total fund balances	44	400,545	400,589
Total liabilities, deferred inflows of resources and fund balances	\$ 44	400,545	400,589

* Activity Fund is made of the Student Council Account

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Student Activity*	Manage- ment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	150,785	150,785
Other	-	7,075	7,075
State sources	-	43	43
Total revenues	-	157,903	157,903
Expenditures:			
Instruction:			
Regular	-	54,159	54,159
Other	111	-	111
Support services:			
Administration	-	4,006	4,006
Operation and maintenance of plant	-	21,811	21,811
Transportation	-	9,384	9,384
Total expenditures	111	89,360	89,471
Change in fund balances	(111)	68,543	68,432
Fund balances beginning of year	155	332,002	332,157
Fund balance end of year	\$ 44	400,545	400,589

* Activity Fund is made of the Student Council Account

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNITED 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	\$ 901,643	673,182	1,574,825
Receivables:			
Property tax:			
Delinquent	-	2,411	2,411
Succeeding year	-	337,528	337,528
Due from other governments	97,219	-	97,219
Total assets	\$ 998,862	1,013,121	2,011,983
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 4,590	107,367	111,957
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	337,528	337,528
Fund balances:			
Restricted for:			
School infrastructure	994,272	-	994,272
Physical plant and equipment	-	568,226	568,226
Total fund balances	994,272	568,226	1,562,498
Total liabilities, deferred inflows of resources and fund balances	\$ 998,862	1,013,121	2,011,983

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNITED COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 FOR YEAR ENDED JUNE 30, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ -	402,396	402,396
Other	767	3,500	4,267
State sources	319,152	111	319,263
Total revenues	<u>319,919</u>	<u>406,007</u>	<u>725,926</u>
Expenditures:			
Instruction:			
Regular	48,819	-	48,819
Support services:			
Instructional staff	-	59,957	59,957
Administration	-	13,697	13,697
Operation and maintenance of plant	-	132,432	132,432
Transportation	-	87,019	87,019
Capital outlay	91,805	167,499	259,304
Total expenditures	<u>140,624</u>	<u>460,604</u>	<u>601,228</u>
Excess (deficiency) of revenues over (under) expenditures	179,295	(54,597)	124,698
Other financing sources:			
Transfer In	-	8,104	8,104
Change in fund balances	179,295	(46,493)	132,802
Fund balances beginning of year	814,977	614,719	1,429,696
Fund balance end of year	<u>\$ 994,272</u>	<u>568,226</u>	<u>1,562,498</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNITED COMMUNITY SCHOOL 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	\$ 5,569	-	3,540	2,029
Liabilities				
Due to other groups	\$ 5,569	-	3,540	2,029

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 2,524,202	2,895,205	3,286,160	2,968,397	2,657,694	2,245,354	2,252,265	2,159,550	2,223,123	2,188,783
Tuition	649,740	799,572	604,696	511,340	440,537	270,840	1,285,106	1,274,648	1,219,202	1,035,103
Other	82,201	53,892	40,402	45,319	70,046	28,478	69,073	164,533	167,903	145,050
State sources	1,572,862	1,516,389	1,006,663	1,220,982	980,933	920,094	1,053,580	1,090,722	1,071,872	1,253,714
Federal sources	125,685	129,255	363,556	122,180	168,860	314,723	138,014	86,373	92,371	90,716
Total	\$ 4,954,690	5,394,313	5,301,477	4,868,218	4,318,070	3,779,489	4,798,038	4,775,826	4,774,471	4,713,366
Expenditures:										
Instruction:										
Regular	\$ 2,417,977	2,265,293	2,165,225	2,149,335	2,119,282	2,128,118	2,744,751	2,411,291	2,452,806	2,233,046
Special	407,276	569,783	443,192	423,284	455,575	400,274	430,722	503,640	392,082	467,737
Other	271,778	307,690	309,556	291,156	290,275	228,099	240,073	215,471	86,972	108,152
Support services:										
Student services	96,914	77,554	91,097	93,281	99,568	109,753	96,907	89,024	137,981	126,054
Instructional staff	79,509	106,489	353,149	54,983	66,147	67,827	112,514	63,664	18,336	50,248
Administration	381,556	359,275	403,017	400,067	477,431	490,145	486,215	474,542	397,150	351,022
Operation and maintenance of plant	404,631	310,902	309,332	263,707	312,755	774,751	289,359	255,613	254,876	235,374
Transportation	331,766	265,176	298,038	216,910	287,185	281,635	207,401	272,101	166,663	229,511
Non-instructional programs:										
Food service operations	-	-	-	-	-	-	-	1,903	1,570	1,158
Community service operations	-	-	19	-	2,323	-	-	-	459	1,452
Capital outlay	259,304	441,307	951,396	334,508	381,361	-	182,677	180,012	240,894	178,190
Long-term debt:										
Principal	-	-	25,018	24,012	22,512	26,272	-	-	-	-
Interest and fiscal charges	-	-	1,682	3,182	4,682	922	-	-	-	-
Other expenditures:										
AEA flow-through	128,106	124,448	117,558	121,058	133,949	134,797	126,184	122,295	119,439	117,851
Total	\$ 4,778,817	4,827,917	5,468,279	4,375,483	4,653,045	4,642,593	4,916,803	4,589,556	4,269,228	4,099,795

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

To the Board of Education of the United 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 United 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 April 14, 2016

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered United 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 United Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of United Community School District's internal control.

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-B-15 and I-C-15 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether United 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.

United Community School District's Responses to Findings

United Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. United 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 United 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.

April 14, 2016
Newton, Iowa

UNITED 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 DEFICIENCIES:

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 may perform two or more functions in each of the following areas for the District.

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - The District continues to evaluate procedures to improve internal controls with the limited resources and staff available.

Conclusion - Response accepted.

I-B-15 Grant Coding - We noted the District has several grants that did not have expenses recorded. The District then made subsequent journal entries to reclassify expenses to these grants. The reclassifying of expenses gives the appearance that these grants may not be monitored throughout the year and the District is finding already existing purchases that might qualify for the grant.

Recommendation - The District should determine who and what costs are appropriate prior to payment and operation of the grant. The individual in charge of the grants should be communicating with the accounting department and consistently monitoring financial reports to ensure that the grant is spent for appropriate items as well as in the correct time period.

Response - The District will record costs and monitor monthly.

Conclusion - Response accepted.

I-C-15 Supporting Documentation for Payments - During our fieldwork, we noted a check from the Daycare fund to the City of Boone that only had a requisition form to be used for support and not having a supporting invoice or any other documentation to support the payment.

Recommendation - The District should review its procedures to ensure that all payments have supporting documentation to support the purchase.

Response - The District does require supporting documentation and approval for payments. When the City Pool of Boone was asked for an invoice, the answer was that the pool does not issue invoices for swimming lessons.

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 did exceed the amounts budgeted in the other expenditures functional area.

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

Response - The District will monitor the budget more closely and amend as needed.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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 - No business transactions between the District and District officials or employees were noted.

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, however, we did note the following issues:

Publication - Noted instances of board minutes that were not published within the two week time frame established by section 279.35 of the Code of Iowa.

Recommendation - The District should furnish Board minutes to be published to the newspaper within two weeks of meeting adjournment and have bills published on a monthly basis in compliance with Chapter 279.35 of the Code of Iowa.

Response - Minutes and bill listings are being provided to the newspaper within the two-week period.

Conclusion - Response accepted.

Closed Sessions - The District did not record the specific exemption that allows the board to enter a closed session.

Recommendation - The District should record the reasons under Chapter 21.5 when entering a closed session.

Response - This was a one-time oversight and district will record the reason under Chapter 21.5 when entering a closed session.

Conclusion - Response accepted.

II-G-15 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.

- II-H-15 Supplementary Weighting - No variance 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 noted with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$ 814,977
Revenues:		
Sales tax revenues	\$ 319,152	
Other local revenues	767	319,919
		1,134,896
Expenditures:		
School infrastructure construction	\$ 91,806	
Other	48,818	140,624
Ending balance		\$ 994,272

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 - The Enterprise, School Nutrition Fund had a deficit unrestricted net position of \$15,415 and a total deficit net position of \$5,019 at June 30, 2015. The Government Activities had a deficit unrestricted net position of \$271,274.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit. The District should review the controls in place for this fund.

Response - The deficit in the Governmental and Nutrition Fund is due to the booking of net pension liability. The District will take steps to further the District's administration and Board of Education understanding of the accounting change and how GASB Statements No 68 & 71 will affect the District's financials in the future.

Conclusion - Response Accepted.

- II-N-15 United Parent-Teacher Organization(PTO) - We noted during our audit, that the United PTO uses the District's Federal Identification Number for an account at Vision Bank. The bank statements, revenues and expenditures for the PTO are processed by an individual that is not an employee of the District. This results in numerous compliance issues for the District which includes the following:

- 1) Chapter 279.29 of the Code of Iowa requires that the District's Board of Directors shall audit and allow all claims against the District. Currently, officials of the PTO audit and allow all claims.
- 2) Chapter 291.1 and Chapter 291.8 of the Code of Iowa require the Board President and Board Secretary to sign all checks. Pursuant to Chapter 291.1, the Board President may designate an individual to sign warrants on his/her behalf. However, pursuant to Chapter 291.8, the Board Secretary may not designate an individual to sign on his/her behalf. Currently, PTO officials are signing all checks.
- 3) Chapter 291.6 of the Code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. Currently, the individual that is not an employee of the District is retaining bank statements and other financial information relevant to the PTO.
- 4) Chapter 291.7 of the Code of Iowa requires the Board Secretary to file monthly financial statements and reports with the District's Board of Directors. To effectively govern, the District's Board of Directors must have current information for all District funds. Currently, the District's Board of Directors does not receive financial information related to the PTO.

Recommendation - Because the PTO is operating under the District's Federal Identification Number, the PTO account is considered a District asset that should be following the same Code of Iowa requirements as well as internal controls that the District follows.

The District should contact officials of the PTO and request the bank statements and all financial records to be turned over to the District.

Response - The PTO has obtained their own Federal Identification Number and as of 07/01/2016 will no longer be operating under the District's Federal Identification Number.

Conclusion - Response accepted.