

EAST UNION COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2020

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East Union Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before November 2019 Election)		
Kenneth Hagen	President	2021
Mike Rollings	Vice President	2021
Brett Weis	Board Member	2019
Ben Clear	Board Member	2019
Sam McKnight	Board Member	2019
Board of Education (After November 2019 Election)		
Sam McKnight	President	2023
Mike Rollings	Vice President	2021
Ben Clear	Board Member	2023
Kenneth Hagen	Board Member	2021
Shannon Harper	Board Member	2023
School Officials		
Ken Kasper	Superintendent	2020
Rhiannon Tessum	School Business Official/Board Secretary	2020
Ahlers & Cooney, P.C.	Attorney	2020

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Union Community School District, Afton, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Union Community School District as of June 30, 2020, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

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 Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 7 through 16 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Union Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4 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 May 4, 2021 on our consideration of East Union Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering East Union Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

May 4, 2021
Newton, Iowa



EAST UNION COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Union Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- The District's total net position increased from \$4,090,242 at June 30, 2019 to \$4,572,578 at June 30, 2020. Total revenues increased from \$8,680,061 in fiscal year 2019 to \$9,155,555 in fiscal year 2020, a 5.48% increase, while total expenses increased from \$8,489,177 in fiscal year 2019 to \$8,673,219 in fiscal year 2020, a 2.17% increase compared to the prior year.
- General Fund revenues increased from \$6,716,310 in fiscal year 2019 to \$7,008,649 in fiscal year 2020, while General Fund expenditures increased from \$6,478,109 during fiscal year 2019 to \$6,569,311 during fiscal year 2020. The District's General Fund balance increased from \$1,105,326 at June 30, 2019 to \$1,544,664 at June 30, 2020, representing a 39.75% increase from the prior year.
- The increase in General Fund revenues was primarily attributable to an increase in local source revenues received during fiscal year 2020 compared to the previous year. The increase in General Fund expenditures was mainly due to an increase in instruction expenditures incurred compared to the prior year.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
East Union Community School District Annual Financial Report

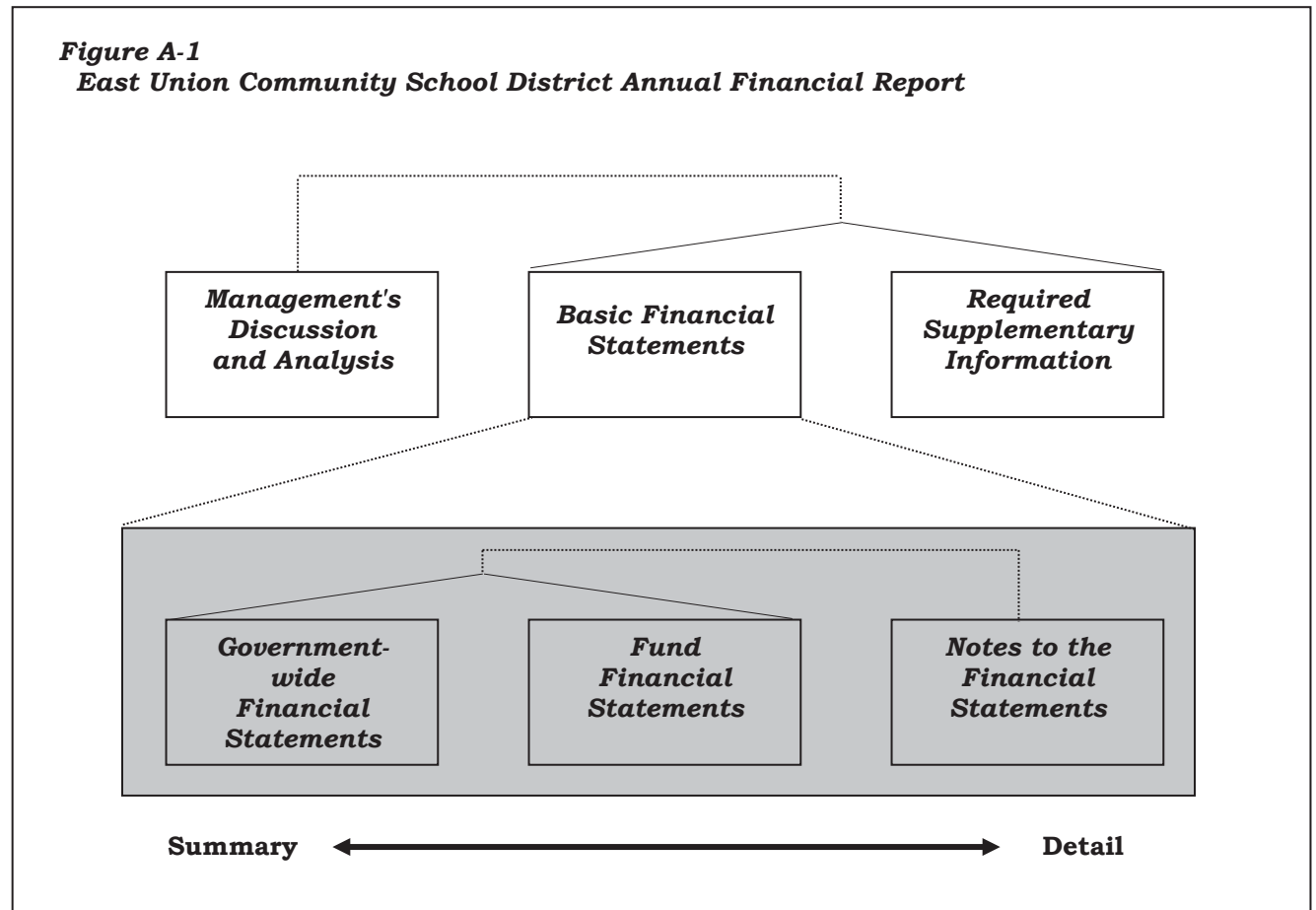


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-Wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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, early childhood
Required financial statements	<ul style="list-style-type: none"> · Statement of net position · Statement of activities 	<ul style="list-style-type: none"> · Balance sheet · Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> · Statement of net position · Statement of revenues, expenses and changes in fund net position · Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow / outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2020 compared to June 30, 2019.

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,
	2020	2019	2020	2019	2020	2019	2019-20
Current and other assets	\$ 5,980,341	5,693,984	567,147	424,003	6,547,488	6,117,987	7.02%
Capital assets	8,109,145	8,312,219	28,121	33,131	8,137,266	8,345,350	-2.49%
Total assets	14,089,486	14,006,203	595,268	457,134	14,684,754	14,463,337	1.53%
Deferred outflows of resources	707,556	901,254	55,800	66,027	763,356	967,281	-21.08%
Long-term liabilities	6,398,683	7,185,450	258,609	230,248	6,657,292	7,415,698	-10.23%
Other liabilities	973,303	874,074	54,065	26,887	1,027,368	900,961	14.03%
Total liabilities	7,371,986	8,059,524	312,674	257,135	7,684,660	8,316,659	-7.60%
Deferred inflows of resources	3,148,402	3,007,281	42,470	16,436	3,190,872	3,023,717	5.53%
Net position:							
Net investment in capital asset	4,877,323	4,772,670	28,121	33,131	4,905,444	4,805,801	2.07%
Restricted	548,099	729,475	-	-	548,099	729,475	-24.86%
Unrestricted	(1,148,768)	(1,661,493)	267,803	216,459	(880,965)	(1,445,034)	39.03%
Total net position	\$ 4,276,654	3,840,652	295,924	249,590	4,572,578	4,090,242	11.79%

The District's total net position increased 11.79%, or \$482,336 from the prior year.

The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$181,376, or 24.86%, from the prior year. The decrease was primarily a result of the decrease in the amounts restricted for school infrastructure purposes.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - increased \$564,069, or 39.03%. This increase in unrestricted net position was primarily a result of the increase in the District's unassigned General Fund balance.

Figure A-4 shows the changes in the District's net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2020	2019	2020	2019	2020	2019	2019-20
Revenues:							
Program revenues:							
Charges for service	\$ 814,517	660,264	261,151	293,054	1,075,668	953,318	12.83%
Operating grants, contributions and restricted interest	861,657	756,093	388,696	282,105	1,250,353	1,038,198	20.43%
Capital grants, contributions and restricted interest	7,430	3,367	-	-	7,430	3,367	120.67%
General revenues:							
Property tax	2,729,297	2,660,930	-	-	2,729,297	2,660,930	2.57%
Income surtax	275,949	241,382	-	-	275,949	241,382	14.32%
Statewide sales, services and use tax	509,317	504,247	-	-	509,317	504,247	1.01%
Unrestricted state grants	3,204,728	3,187,104	-	-	3,204,728	3,187,104	0.55%
Unrestricted investment earnings	6,309	12,210	47	120	6,356	12,330	-48.45%
Other	94,742	73,357	1,715	5,828	96,457	79,185	21.81%
Total revenues	8,503,946	8,098,954	651,609	581,107	9,155,555	8,680,061	5.48%
Program expenses:							
Instruction	5,209,543	5,017,102	-	-	5,209,543	5,017,102	3.84%
Support services	2,257,995	2,303,542	151,531	93,161	2,409,526	2,396,703	0.54%
Non-instructional programs	2,795	7,101	451,321	418,157	454,116	425,258	6.79%
Other expenses	600,034	650,114	-	-	600,034	650,114	-7.70%
Total expenses	8,070,367	7,977,859	602,852	511,318	8,673,219	8,489,177	2.17%
Excess (Deficiency) of revenues over (under) expenses	433,579	121,095	48,757	69,789	482,336	190,884	152.69%
Transfers	2,423	-	(2,423)	-	-	-	0.00%
Change in net position	436,002	121,095	46,334	69,789	482,336	190,884	152.69%
Net position beginning of year	3,840,652	3,719,557	249,590	179,801	4,090,242	3,899,358	4.90%
Net position end of year	\$ 4,276,654	3,840,652	295,924	249,590	4,572,578	4,090,242	11.79%

In fiscal year 2020, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 79.01% of governmental activities revenues while charges for service and operation grants, contributions and restricted interest accounted for 99.73% of business type activities revenues.

The District's total revenues were approximately \$9.15 million, of which approximately \$8.50 million was for governmental activities and approximately \$0.65 million was for business type activities.

As shown in figure A-4, the District as a whole experienced a 5.48% increase in revenues and a 2.17% increase in expenses. The increase in revenues is primarily due to an increase in operating grants, contributions and restricted interest revenues received compared to the prior year. The increase in expenses is primarily due to an increase in instruction expenses incurred compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$8,503,946 and expenses were \$8,070,367 for the year ended June 30, 2020.

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, 2020 compared to those expenses for the year ended June 30, 2019.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2020	2019	Change 2019-20	2020	2019	Change 2019-20
Instruction	\$ 5,209,543	5,017,102	3.84%	4,028,532	4,020,889	0.19%
Support services	2,257,995	2,303,542	-1.98%	1,976,233	2,099,966	-5.89%
Non-instructional programs	2,795	7,101	-60.64%	2,795	7,101	-60.64%
Other expenses	600,034	650,114	-7.70%	379,203	430,179	-11.85%
Total	<u>\$ 8,070,367</u>	<u>7,977,859</u>	<u>1.16%</u>	<u>6,386,763</u>	<u>6,558,135</u>	<u>-2.61%</u>

For the year ended June 30, 2020:

- The cost financed by users of the District's programs was \$814,517.
- Federal and state governments along with local sources subsidized certain programs and projects with grants and contributions totaling \$869,087.
- The net cost of governmental activities was financed with \$2,729,297 in property tax, \$275,949 in income surtax, \$509,317 in statewide sales, services and use tax, \$3,204,728 in unrestricted state grants, \$6,309 in unrestricted investment income and \$94,742 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$651,609, representing an increase of 12.13% from the prior year, and expenses were \$602,852, representing an increase of 17.90%. The District's business type activities include the School Nutrition Fund and the Early Childhood Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,119,461 above last year's ending combined fund balances of \$1,846,793. The primary reason for the increase in the combined fund balances was the increase in the General Fund balance.

Governmental Fund Highlights

- The District's General Fund balance increased from \$1,105,326 at June 30, 2019 to \$1,544,664 at June 30, 2020. The change in the District's General Fund financial position is the product of many factors. An increase in local source revenues contributed to an increase in total revenues during fiscal year 2020 while an increase in instruction expenditures was the primary reason for the increase in total expenditures.

-
- The Management Levy Fund balance increased from \$23,871 at June 30, 2019 to \$51,112 at June 30, 2020. Growth during the year in tax revenues resulted in a significant increase in revenues resulting in the increase in the fund balance.
 - The Debt Service Fund balance increased slightly from \$146,714 at June 30, 2019 to \$148,543 at June 30, 2020.
 - The Capital Projects Fund balance decreased from \$468,399 at June 30, 2019 to \$290,110 at June 30, 2020. An increase in total expenditures was the primary reason for the decrease in fund balance.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from deficit \$16,251 at June 30, 2019 to \$36,269 at June 30, 2020. An increase in federal source revenues received compared to the prior year led to the increase in fund balance.

The Early Childhood Fund net position decreased from \$265,841 at June 30, 2019, to \$259,655 at June 30, 2020, representing a decrease of 2.33%. Although revenues increased compared to the prior year, expenses increased leading to a decrease in fund net position.

BUDGETARY HIGHLIGHTS

The District's revenues were \$449,565 more than budgeted revenues, a variance of 5.16%. However, the most significant variance resulted from the District receiving more from federal sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The District then manages or controls General Fund spending through its line-item budget.

In spite of the District's budgetary practice, expenditures in other expenditures and in total exceeded the amounts budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had invested \$8,137,266, 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 decrease of 2.49% from last year. More detailed information about the District's capital assets is presented in Note 7 to the financial statements. Depreciation expense for the year was \$375,418.

The original cost of the District's capital assets was \$13,325,178. Governmental activities accounted for \$13,186,363 with the remainder of \$138,815 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings, net of accumulated depreciation, totaled \$7,300,855 at June 30, 2020, compared to \$7,516,666 reported at June 30, 2019. This decrease is primarily a result of annual depreciation expense applied during fiscal year 2020.

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-20
Land	\$ 14,205	14,205	-	-	14,205	14,205	0.00%
Buildings	7,300,855	7,516,666	-	-	7,300,855	7,516,666	-2.87%
Land improvements	475,512	515,550	-	-	475,512	515,550	-7.77%
Machinery and equipment	318,573	265,798	28,121	33,131	346,694	298,929	15.98%
Total	<u>\$ 8,109,145</u>	<u>8,312,219</u>	<u>28,121</u>	<u>33,131</u>	<u>8,137,266</u>	<u>8,345,350</u>	<u>-2.49%</u>

Long-Term Debt

At June 30, 2020, the District had \$3,231,822 of total long-term debt outstanding. This represents a decrease of 8.69% from last year. (See Figure A-7). Additional information about the District's long-term debt is presented in Note 8 to the financial statements.

The District had \$2,346,000 of outstanding general obligation bonded indebtedness at June 30, 2020, payable from the Debt Service Fund.

The District had \$800,000 of outstanding revenue bonded indebtedness at June 30, 2020, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had \$35,856 of outstanding bus loans at June 30, 2020, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had \$49,966 of outstanding bus lease obligations at June 30, 2020, payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

Figure A-7 Outstanding Long-Term Obligations				
	Total District		Total Change	
	June 30,		June 30,	
	2020	2019	2019-20	
General obligation bonds	\$ 2,346,000	2,575,000	-8.89%	
Revenue bonds	800,000	850,000	-5.88%	
Bus loans	35,856	52,770	-32.05%	
Bus lease	49,966	61,779	-19.12%	
Total	<u>\$ 3,231,822</u>	<u>3,539,549</u>	<u>-8.69%</u>	

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District is continually considering and seeking financing sources to support the shortfalls from the state.

-
- The supplemental state aid for the 2018-19 school year was set at 1.1%. The supplemental state aid was set at 2.3% for the 2020-2021 school year. The supplemental state aid for the 2021-2022 school year was set at 2.4%.
 - Low allowable growth over several years and possible enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of the District's unspent authorized budget.
 - Supplemental State Aid will have an adverse effect on the District's fund budget and related fund balances. The District monitors the use of "new money" each year.
 - The District is reducing staff costs through attrition and program changes.
 - The District continues to receive statewide sales, services and use tax revenue for school infrastructure. This one-cent tax on sales and services greatly benefits the District in maintaining their buildings, purchasing equipment, technology and debt payments. The funding began in January 2005 and will continue through December 2029.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

EAST UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,718,340	536,091	3,254,431
Receivables:			
Property tax:			
Delinquent	27,310	-	27,310
Succeeding year	2,660,664	-	2,660,664
Income surtax	236,461	-	236,461
Accounts	20,582	869	21,451
Internal balances	13,985	(13,985)	-
Due from other governments	302,999	39,374	342,373
Inventories	-	4,798	4,798
Capital assets not being depreciated:			
Land	14,205	-	14,205
Capital assets, net of accumulated depreciation:			
Buildings and land improvements and machinery and equipment	8,094,940	28,121	8,123,061
Total assets	14,089,486	595,268	14,684,754
Deferred Outflows of Resources			
Pension related deferred outflows	707,556	55,800	763,356
Liabilities			
Accounts payable	332,840	12,568	345,408
Salaries and benefits payable	618,049	34,614	652,663
Advances from grantors	12,866	-	12,866
Accrued interest payable	9,548	-	9,548
Unearned revenue	-	6,883	6,883
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	255,000	-	255,000
Revenue bonds	75,000	-	75,000
Bus loan payable	17,579	-	17,579
Bus lease payable	49,966	-	49,966
Termination benefits payable	50,531	-	50,531
Portion due after one year:			
General obligation bonds	2,091,000	-	2,091,000
Revenue bonds	725,000	-	725,000
Bus loan payable	18,277	-	18,277
Termination benefits payable	80,000	-	80,000
Net pension liability	2,702,828	235,348	2,938,176
Total OPEB liability	333,502	23,261	356,763
Total liabilities	7,371,986	312,674	7,684,660
Deferred Inflows of Resources			
Unavailable property tax revenue	2,660,664	-	2,660,664
Pension related deferred inflows	487,738	42,470	530,208
Total deferred inflows of resources	3,148,402	42,470	3,190,872
Net Position			
Net investment in capital assets	4,877,323	28,121	4,905,444
Restricted for:			
Categorical funding	33,962	-	33,962
Debt service	138,995	-	138,995
Student activities	85,032	-	85,032
School infrastructure	196,667	-	196,667
Physical plant and equipment	93,443	-	93,443
Unrestricted	(1,148,768)	267,803	(880,965)
Total net position	\$ 4,276,654	295,924	4,572,578

SEE NOTES TO FINANCIAL STATEMENTS.

**EAST UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,235,293	397,492	116,580	-	(2,721,221)	-	(2,721,221)
Special	939,626	204,181	22,072	-	(713,373)	-	(713,373)
Other	1,034,624	126,785	313,901	-	(593,938)	-	(593,938)
	5,209,543	728,458	452,553	-	(4,028,532)	-	(4,028,532)
Support services:							
Student	76,968	-	-	-	(76,968)	-	(76,968)
Instructional staff	266,899	-	17,845	-	(249,054)	-	(249,054)
Administration	691,597	86,059	4,731	-	(600,807)	-	(600,807)
Operation and maintenance of plant	816,981	-	835	7,430	(808,716)	-	(808,716)
Transportation	405,550	-	164,862	-	(240,688)	-	(240,688)
	2,257,995	86,059	188,273	7,430	(1,976,233)	-	(1,976,233)
Non-instructional programs:							
Community service operations	2,795	-	-	-	(2,795)	-	(2,795)
Long-term debt interest	114,461	-	-	-	(114,461)	-	(114,461)
Other expenditures:							
AEA flowthrough	220,831	-	220,831	-	-	-	-
Depreciation (unallocated)*	264,742	-	-	-	(264,742)	-	(264,742)
	485,573	-	220,831	-	(264,742)	-	(264,742)
Total governmental activities	8,070,367	814,517	861,657	7,430	(6,386,763)	-	(6,386,763)
Business type activities:							
Support services:							
Administration	151,531	-	-	-	-	(151,531)	(151,531)
Non-instructional programs:							
Food service operations	383,381	80,420	356,142	-	-	53,181	53,181
Other enterprise operations	67,940	180,731	32,554	-	-	145,345	145,345
	451,321	261,151	388,696	-	-	198,526	198,526
Total business type activities	602,852	261,151	388,696	-	-	46,995	46,995
Total	\$ 8,673,219	1,075,668	1,250,353	7,430	(6,386,763)	46,995	(6,339,768)
General Revenues and Transfers:							
Property tax levied for:							
General purposes					\$ 2,324,803	-	2,324,803
Debt service					351,526	-	351,526
Capital outlay					52,968	-	52,968
Income surtax					275,949	-	275,949
Statewide sales, services and use tax					509,317	-	509,317
Unrestricted state grants					3,204,728	-	3,204,728
Unrestricted investment earnings					6,309	47	6,356
Other					94,742	1,715	96,457
Transfers					2,423	(2,423)	-
Total general revenues and transfers					6,822,765	(661)	6,822,104
Change in net position					436,002	46,334	482,336
Net position beginning of year					3,840,652	249,590	4,090,242
Net position end of year					\$ 4,276,654	295,924	4,572,578

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

SEE NOTES TO FINANCIAL STATEMENTS.

EAST UNION COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Capital Projects	Management Levy	Debt Service	Nonmajor: Student Activity	Total
Assets						
Cash and pooled investments	\$ 2,121,533	304,187	55,362	145,038	92,220	2,718,340
Receivables:						
Property tax:						
Delinquent	18,954	538	4,313	3,505	-	27,310
Succeeding year	1,654,709	264,078	439,999	301,878	-	2,660,664
Income surtax	236,461	-	-	-	-	236,461
Accounts	20,522	-	-	-	60	20,582
Due from other funds	14,118	-	-	-	-	14,118
Due from other governments	260,098	42,901	-	-	-	302,999
Total assets	\$ 4,326,395	611,704	499,674	450,421	92,280	5,980,474
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Due to other funds	\$ -	-	-	-	133	133
Accounts payable	259,780	57,516	8,563	-	6,981	332,840
Salaries and benefits payable	617,915	-	-	-	134	618,049
Advances from grantors	12,866	-	-	-	-	12,866
Total liabilities	890,561	57,516	8,563	-	7,248	963,888
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	1,654,709	264,078	439,999	301,878	-	2,660,664
Income surtax	236,461	-	-	-	-	236,461
Total deferred inflows of resources	1,891,170	264,078	439,999	301,878	-	2,897,125
Fund balances:						
Restricted for:						
Categorical funding	33,962	-	-	-	-	33,962
Debt service	-	-	-	148,543	-	148,543
Management levy purposes	-	-	51,112	-	-	51,112
Student activities	-	-	-	-	85,032	85,032
School infrastructure	-	196,667	-	-	-	196,667
Physical plant and equipment	-	93,443	-	-	-	93,443
Unassigned	1,510,702	-	-	-	-	1,510,702
Total fund balances	1,544,664	290,110	51,112	148,543	85,032	2,119,461
Total liabilities, deferred inflows of resources and fund balances	\$ 4,326,395	611,704	499,674	450,421	92,280	5,980,474

SEE NOTES TO FINANCIAL STATEMENTS.

EAST UNION COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total fund balances of governmental funds (page 20)	\$ 2,119,461
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,109,145
Accounts receivable income surtax is not available to finance expenditures of the current year and, therefore, is recognized as deferred inflows of resources in the governmental funds.	236,461
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the government funds.	(9,548)
Pension and OPEB 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	\$ 707,556
Deferred inflows of resources	<u>(487,738)</u>
	219,818
Long-term liabilities, including bonds payable, bus lease payable, termination benefits, net pension liability, and total OPEB liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(6,398,683)</u>
Net position of governmental activities (page 18)	<u>\$ 4,276,654</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General	Capital Projects	Management Lewy	Debt Service	Nonmajor: Student Activity	Total
Revenues:						
Local sources:						
Local tax	\$ 2,172,784	52,968	430,978	351,526	-	3,008,256
Tuition	591,828	-	-	-	-	591,828
Other	241,162	9,139	2,405	2,232	143,070	398,008
State sources	3,702,548	509,481	1,335	1,089	-	4,214,453
Federal sources	294,411	-	-	-	-	294,411
Total revenues	7,002,733	571,588	434,718	354,847	143,070	8,506,956
Expenditures:						
Current:						
Instruction:						
Regular	2,800,423	-	280,820	-	-	3,081,243
Special	888,504	-	-	-	-	888,504
Other	930,092	-	-	-	160,521	1,090,613
	4,619,019	-	280,820	-	160,521	5,060,360
Support services:						
Student	80,520	-	-	-	-	80,520
Instructional staff	115,257	217,104	-	-	-	332,361
Administration	655,993	22,362	126,657	36,414	-	841,426
Operation and maintenance of plant	557,186	10,304	-	-	-	567,490
Transportation	317,710	95,604	-	-	-	413,314
	1,726,666	345,374	126,657	36,414	-	2,235,111
Non-instructional programs:						
Community service operations	2,795	-	-	-	-	2,795
Capital outlay	-	287,375	-	-	-	287,375
Long-term debt:						
Principal	-	-	-	2,869,727	-	2,869,727
Interest and fiscal charges	-	-	-	126,005	-	126,005
	-	-	-	2,995,732	-	2,995,732
Other expenditures:						
AEA flowthrough	220,831	-	-	-	-	220,831
Total expenditures	6,569,311	632,749	407,477	3,032,146	160,521	10,802,204
Excess (Deficiency) of revenues over (under) expenditures	433,422	(61,161)	27,241	(2,677,299)	(17,451)	(2,295,248)
Other financing sources (uses):						
General obligation bond issuance	-	-	-	2,562,000	-	2,562,000
Transfer in	5,916	-	-	117,128	-	123,044
Transfer out	-	(117,128)	-	-	-	(117,128)
Total other financing sources (uses)	5,916	(117,128)	-	2,679,128	-	2,567,916
Change in fund balances	439,338	(178,289)	27,241	1,829	(17,451)	272,668
Fund balances beginning of year	1,105,326	468,399	23,871	146,714	102,483	1,846,793
Fund balances end of year	\$ 1,544,664	290,110	51,112	148,543	85,032	2,119,461

SEE NOTES TO FINANCIAL STATEMENTS.

EAST UNION COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Change in fund balances - total governmental funds (page 22) \$ 272,668

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

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

Capital outlay	\$ 163,841	
Depreciation expense	<u>(366,915)</u>	(203,074)

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		(3,010)
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Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in Statement of Net Position.		2,653,727
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues and repayments are as follows:

Issued	(2,562,000)	
Repaid	<u>216,000</u>	(2,346,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		11,544
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The current year District IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.		335,320
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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, as follows:

Termination benefits	(4,165)	
Pension expense	(431,681)	
Total OPEB liability and related expenses	<u>150,673</u>	<u>(285,173)</u>

Change in net position of governmental activities (page 19)		<u>\$ 436,002</u>
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EAST UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	Business Type Activities: Enterprise Funds		
	Nonmajor: School Nutrition	Major: Early Childhood	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 116,691	419,400	536,091
Accounts receivable	154	715	869
Due from other governments	39,126	248	39,374
Inventories	4,798	-	4,798
Total current assets	160,769	420,363	581,132
Noncurrent assets:			
Capital assets, net of accumulated depreciation	28,121	-	28,121
Total assets	188,890	420,363	609,253
Deferred Outflows of Resources			
Pension related deferred outflows	20,732	35,068	55,800
Liabilities			
Current liabilities:			
Due to other funds	13,985	-	13,985
Accounts payable	11,146	1,422	12,568
Salaries and benefits payable	25,063	9,551	34,614
Unearned revenue	6,883	-	6,883
Total current liabilities	57,077	10,973	68,050
Noncurrent liabilities:			
Net pension liability	91,671	143,677	235,348
Total OPEB liability	8,063	15,198	23,261
Total noncurrent liabilities	99,734	158,875	258,609
Total liabilities	156,811	169,848	326,659
Deferred Inflows of Resources			
Pension related deferred inflows	16,542	25,928	42,470
Net Position			
Net investment in capital assets	28,121	-	28,121
Unrestricted	8,148	259,655	267,803
Total net position	\$ 36,269	259,655	295,924

SEE NOTES TO FINANCIAL STATEMENTS.

EAST UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

	Business Type Activities: Enterprise Funds		
	Nonmajor: School Nutrition	Major: Early Childhood	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 80,420	180,731	261,151
Miscellaneous	1,715	-	1,715
Total operating revenues	82,135	180,731	262,866
Operating expenses:			
Support Services:			
Administration:			
Salaries	-	60,185	60,185
Benefits	-	91,346	91,346
Total support services	-	151,531	151,531
Non-instructional programs:			
Food service operations:			
Salaries	141,602	-	141,602
Benefits	27,410	-	27,410
Services	590	-	590
Supplies	201,537	-	201,537
Depreciation	8,503	-	8,503
Other	3,739	-	3,739
	383,381	-	383,381
Other enterprise operations:			
Salaries	-	26,122	26,122
Benefits	-	8,870	8,870
Services	-	76	76
Supplies	-	32,872	32,872
	-	67,940	67,940
Total operating expenses	383,381	219,471	602,852
Operating loss	(301,246)	(38,740)	(339,986)
Non-operating revenues:			
State sources	2,849	-	2,849
Federal sources	353,293	32,554	385,847
Interest income	47	-	47
Total non-operating revenues	356,189	32,554	388,743
Change in net position before other financing sources(uses):	54,943	(6,186)	48,757
Other financing sources(uses):			
Capital contributions	3,493	-	3,493
Transfer out	(5,916)	-	(5,916)
Total other financing sources (uses)	(2,423)	-	(2,423)
Change in net position	52,520	(6,186)	46,334
Net position beginning of year	(16,251)	265,841	249,590
Net position end of year	\$ 36,269	259,655	295,924

SEE NOTES TO FINANCIAL STATEMENTS.

EAST UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

	Business Type Activities: Enterprise Funds		
	Nonmajor: School Nutrition	Major: Early Childhood	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 82,451	-	82,451
Cash received from community service operations	-	191,996	191,996
Cash received from miscellaneous	1,715	-	1,715
Cash payments to employees for services	(157,139)	(116,089)	(273,228)
Cash payments to suppliers for goods or services	(169,903)	(32,177)	(202,080)
Net cash provided by (used in) operating activities	(242,876)	43,730	(199,146)
Cash flows from non-capital financing activities:			
Transfer to General Fund	(5,916)	-	(5,916)
Repayments to General Fund	(850)	-	(850)
State grants received	3,733	-	3,733
Federal grants received	295,058	37,490	332,548
Net cash provided by non-capital financing activities	292,025	37,490	329,515
Cash flows from investing activities:			
Interest on investments	47	-	47
Net increase in cash and pooled investments	49,196	81,220	130,416
Cash and pooled investments beginning of year	67,495	338,180	405,675
Cash and pooled investments end of year	\$ 116,691	419,400	536,091
Reconciliation of operating loss to net cash provided by (used) in operating activities:			
Operating loss	\$ (301,246)	(38,740)	(339,986)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Commodities consumed	28,389	-	28,389
Depreciation	8,503	-	8,503
Change in assets and liabilities:			
Inventories	670	-	670
Accounts receivable	213	11,265	11,478
Accounts payable	6,904	771	7,675
Salaries and benefits payable	16,639	1,046	17,685
Net pension liability	(21,803)	59,622	37,819
Deferred outflows of resources	11,798	(1,571)	10,227
Deferred inflows of resources	7,100	18,934	26,034
Unearned revenue	1,818	-	1,818
Total OPEB liability	(1,861)	(7,597)	(9,458)
Net cash provided by (used in) operating activities	\$ (242,876)	43,730	(199,146)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2020, the District received \$28,389 of federal commodities.

During the year ended June 30, 2020, the District received \$1,833 in capital contributions from the Capital Projects: Physical Plant and Equipment Levy Fund.

During the year ended June 30, 2020, the District received \$1,660 in capital contributions from the General Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

EAST UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

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

The District reports the following major governmental funds:

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

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

The Management Levy fund is utilized to account for the tax and other revenues used to pay expenses of unemployment, early retirement benefits and insurance agreements relating to such liabilities.

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

The District also reports the following major proprietary fund:

The Early Childhood Fund is used to account for the District's programs for two and three-year-old children that are not able to be funded with state categorical funding but rather by tuition paid by parents and county empowerment grants.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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 Funds are 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.

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

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 amortized cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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 reported as a deferred inflow of resources 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, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2019.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles acquired after July 1, 1980 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 if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable 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	\$ -
Buildings	1,500
Land improvements	1,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which 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, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for 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.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Fund.

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

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

Total OPEB liability- For purposes of measuring the total OPEB liability and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund while the liability attributable to the business type activities will be paid by the School Nutrition Fund and the Early Childhood Fund.

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and unrecognized items not yet charged to pension expense.

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

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

Unassigned - All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2020, expenditures exceeded the amounts budgeted in the other expenditures and in total.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

At June 30, 2020, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) Direct Government Obligations Portfolio which are valued at an amortized cost of \$202,883. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 103,096
Debt Service	Capital Projects: Physical Plant and Equipment Levy	14,032
General Fund	Enterprise Fund: School Nutrition	5,916
Total		<u>\$ 123,044</u>

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

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

The transfer from Enterprise Fund: School Nutrition Fund to the General Fund was needed for indirect costs incurred.

(4) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise Fund: School Nutrition	\$ 13,985
General Fund	Student Activity Fund	133
Total		<u>\$ 14,118</u>

The School Nutrition Fund is repaying the General Fund for salaries and benefits not repaid before fiscal year-end.

The Student Activity Fund is repaying the General Fund for salaries and benefits not repaid before fiscal year-end.

(5) Risk Management

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

(6) 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 \$220,831 for the year ended June 30, 2020 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(7) Capital Assets

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,205	-	-	14,205
Capital assets being depreciated:				
Buildings	10,451,282	8,893	-	10,460,175
Land improvements	877,253	-	-	877,253
Machinery and equipment	1,679,782	154,948	-	1,834,730
Total capital assets being depreciated	13,008,317	163,841	-	13,172,158
Less accumulated depreciation for:				
Buildings	2,934,616	224,704	-	3,159,320
Land improvements	361,703	40,038	-	401,741
Machinery and equipment	1,413,984	102,173	-	1,516,157
Total accumulated depreciation	4,710,303	366,915	-	5,077,218
Total capital assets being depreciated, net	8,298,014	(203,074)	-	8,094,940
Governmental activities capital assets, net	\$ 8,312,219	(203,074)	-	8,109,145
Business type activities:				
Machinery and equipment	\$ 135,322	3,493	-	138,815
Less accumulated depreciation	102,191	8,503	-	110,694
Business type activities capital assets, net	\$ 33,131	(5,010)	-	28,121

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 1,393
Other	10,089
Support services:	
Instructional staff	10,416
Operation and maintenance of plant	4,738
Transportation	75,537
	102,173
Unallocated depreciation	264,742
Total governmental activities depreciation expense	\$ 366,915
Business type activities:	
Food service operations	\$ 8,503

(8) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,575,000	2,562,000	2,791,000	2,346,000	255,000
Revenue bonds	850,000	-	50,000	800,000	75,000
Bus loans	52,770	-	16,914	35,856	17,579
Bus lease	61,779	-	11,813	49,966	49,966
Termination benefits	126,366	120,000	115,836	130,530	50,531
Net pension liability	3,035,360	-	332,532	2,702,828	-
Total OPEB liability	484,175	-	150,673	333,502	-
Total	<u>\$ 7,185,450</u>	<u>2,682,000</u>	<u>3,468,768</u>	<u>6,398,682</u>	<u>448,076</u>
Business type activities:					
Net pension liability	\$ 197,529	37,819	-	235,348	-
Total OPEB liability	32,719	-	9,458	23,261	-
Total	<u>\$ 230,248</u>	<u>37,819</u>	<u>9,458</u>	<u>258,609</u>	<u>-</u>

General Obligation Bonds Payable

During the year ended June 30, 2020, the District collected an extra debt service levy which was used to advance refund \$50,000 of May 1, 2010 general obligation bonds originally maturing May 1, 2030. The interest savings provided this surplus levy was \$23,750. In addition, on November 12, 2019, the District issued \$2,562,000 in general obligation bonds with interest rates of 1.93% to refund the remaining \$2,525,000 of principal outstanding from the May 1, 2010 general obligation bonds with interest rates ranging from 4.00-4.75%. The new refunding bonds have been added to the appropriate financial statements and schedules. The net present value of savings achieved by the current refunding was \$295,331. As of June 30, 2020, all general obligation bonds from the May 1, 2010 issue had been redeemed. During the year ended June 30, 2020, principal and interest paid on the November 12, 2019 refunding bonds were \$216,000 and 23,212, respectively.

Details of the District's June 30, 2020 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issued November 12, 2019			
	Interest Rate	Principal	Interest	Total
2021	1.93 %	\$ 255,000	45,278	300,278
2022	1.93	262,000	40,356	302,356
2023	1.93	269,000	35,300	304,300
2024	1.93	275,000	30,108	305,108
2025	1.93	281,000	24,800	305,800
2026-2029	1.93	1,004,000	43,291	1,047,291
Total		<u>\$ 2,346,000</u>	<u>219,133</u>	<u>2,565,133</u>

Revenue Bonds Payable

Details of the District's June 30, 2020 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issued February 25, 2010				
	Interest Rate		Principal	Interest	Total
2021	4.00	% \$	75,000	35,400	110,400
2022	4.10		75,000	32,400	107,400
2023	4.20		75,000	29,325	104,325
2024	4.30		75,000	26,175	101,175
2025	4.40		100,000	22,950	122,950
2026-2029	4.50-4.75		400,000	46,800	446,800
Total			<u>\$ 800,000</u>	<u>193,050</u>	<u>993,050</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,200,000 issued February 2010. The bonds were issued for the purpose of constructing a new elementary building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require approximately 22% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$993,050. For the current year, \$50,000 in principal and \$37,275 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$509,317.

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

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

Bus Loans Payable

Details of the District's June 30, 2020 bus loan indebtedness payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund are as follows:

Year Ending June 30,	Loan Issued January 31, 2018				
	Interest Rate		Principal	Interest	Total
2021	3.90	% \$	17,579	1,422	19,001
2022	3.90		18,277	723	19,000
Total			<u>\$ 35,856</u>	<u>2,145</u>	<u>38,001</u>

Bus Lease Payable

Details of the District's June 30, 2020 bus lease indebtedness payable from the Capital Projects: Physical Plant and Equipment Levy Fund are as follows:

Year Ending June 30,	Lease Issued August 30, 2017			
	Interest Rate	Principal	Interest	Total
2021	3.59 %	\$ 49,966	-	49,966

Termination Benefits

In February 2019, the District offered a voluntary early retirement plan and general release for a District principal. The early retirement benefits equaled 100% of the Principal's current salary and 12 months continuation of the Principal's current insurance benefits. The benefits will be paid in 12 equal monthly installments.

In December 2019, the District offered a voluntary early retirement plan to its certified employees. Eligible employees must have been at least age 55. The total retirement benefit for eligible employees under the program is \$30,000 deposited into a TSA (403.b) payable in \$5,000 installments twice a year for three years.

At June 30, 2020, the District had obligations to five retirees with a total liability of \$130,530. Actual early retirement expenditures for the year ended June 30, 2020 totaled \$115,836.

(9) 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 the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 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, any time 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, except for members with service before June 30, 2012 will use the highest three-year average salary as of that date 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% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month 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 - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State 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 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2020 were \$358,708.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the District reported a liability of \$2,938,176 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the District's proportion was 0.050740%, which was a decrease of 0.000347% from its proportion measured as of June 30, 2018. For the year ended June 30, 2020, the District recognized pension expense of \$529,149. At June 30, 2020, 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	\$ 8,145	105,641
Changes of assumptions	314,721	-
Net difference between projected and actual earnings on IPERS' investments	-	331,097
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	81,782	93,470
District contributions subsequent to the measurement date	358,708	-
Total	<u>\$ 763,356</u>	<u>530,208</u>

\$358,708 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 ending June 30, 2021. 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,	Amount
2021	\$ 45,791
2022	(57,237)
2023	(45,118)
2024	(59,337)
2025	(9,659)
Total	<u>\$ (125,560)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2018 and a demographic assumption study dated June 28, 2019.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2018 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' 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 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 5,217,252	2,938,176	1,026,512

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2020, the District reported payables to IPERS of \$52,709 for legally required District contributions and \$35,121 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(10) Other Postemployment Benefits (OPEB)

Plan Description - The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	54
Total	<u>56</u>

Total OPEB Liability - The District's total OPEB liability of \$356,763 was measured as of June 30, 2020, and was determined by an actuarial valuation dated June 30, 2019.

Actuarial Assumptions - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation	2.50% per annum.
Rates of salary increase	3.25% per annum, including inflation.
Discount rate	2.45% compounded annually, including inflation.
Healthcare cost trend rate	6.40% for FY2020, gradually decreasing to an ultimate rate of 4.00%.

Discount Rate - The discount rate used to measure the total OPEB liability was 2.45% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the June 2018 Iowa Public Employees' Retirement System (IPERS) Demographic Assumptions Study, mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2017.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 516,894
Changes for the year:	
Service cost	51,568
Interest	16,179
Differences between expected and actual experiences	(207,798)
Changes in assumptions	(4,468)
Benefit payments	<u>(15,612)</u>
Net changes	<u>(160,131)</u>
Total OPEB liability end of year	<u>\$ 356,763</u>

Changes of assumptions reflect a change in the discount rate from 3.13% in fiscal year 2019 to 2.45% in fiscal year 2020.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1% lower (1.45%) or 1% higher (3.45%) than the current discount rate.

	1% Decrease (1.45%)	Discount Rate (2.45%)	1% Increase (3.45%)
Total OPEB liability	\$ 378,373	356,763	336,290

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates 1% lower (5.90%) or 1% higher (7.90%) than the current healthcare cost trend rates.

	1% Decrease (5.40%)	Healthcare Cost Trend Rate (6.40%)	1% Increase (7.40%)
Total OPEB liability	\$ 325,958	356,763	391,982

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2020, the components of OPEB expense (service cost, interest and changes in assumptions) combined for a net reduction of \$144,519. East Union Community School District elected to use the Alternative Measurement Method (AMM) as allowed by GASB Statement No. 75 for entities with fewer than 100 active and inactive employees. Certain items such as differences between expected and actual experience and changes in assumptions and other inputs are recognized in the current year when using the AMM and, therefore, there are no deferred outflows of resources or deferred inflows of resources related to OPEB.

(11) Categorical Funding

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2020.

Program	Amount
Limited English Proficient (LEP)	\$ 6,498
Teacher Salary Supplement	6,156
Public School, Child Development	5,969
Successful Progression for Early Readers	15,029
Market Factor Incentives	310
Total	<u>\$ 33,962</u>

(12) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	Net investment in Capital Assets	Debt Service	Management Levy	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	148,543	51,112	1,510,702
Capital assets, net of accumulated depreciation	8,109,145	-	-	-
General obligation bond capitalized indebtedness	(2,346,000)	-	-	-
Revenue bond capitalized indebtedness	(800,000)	-	-	-
Bus loan capitalized indebtedness	(35,856)	-	-	-
Bus lease capitalized indebtedness	(49,966)	-	-	-
Accrued interest payable	-	(9,548)	-	-
Income surtax	-	-	-	236,461
Termination benefits	-	-	(51,112)	(79,419)
Pension related deferred outflows	-	-	-	707,556
Pension related deferred inflows	-	-	-	(487,738)
Net pension liability	-	-	-	(2,702,828)
Total OPEB liability	-	-	-	(333,502)
Net position (Exhibit A)	<u>\$ 4,877,323</u>	<u>138,995</u>	<u>-</u>	<u>(1,148,768)</u>

(13) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The District was not impacted by any tax abatements which meet the disclosure requirements of Governmental Accounting Standards Board Statement No. 77 for fiscal year 2020.

(14) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. As a result of the coronavirus pandemic, GASB has extended the effective dates of recent pronouncements. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

(15) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the East Union Community School District, remains uncertain.

To date, the outbreak created a disruption to the operations of the East Union Community School District due to the closure of school buildings and the move to virtual learning to complete the 2019-2020 school year. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the East Union Community School District's operations and finances.

(16) Budget Overexpenditures

During the year ended June 30, 2020, District expenditures exceeded the amounts budgeted in the other expenditures functional area as well as in total.

REQUIRED SUPPLEMENTARY INFORMATION

EAST UNION COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,998,092	262,913	4,261,005	4,211,573	4,211,573	49,432
State sources	4,214,453	2,849	4,217,302	4,026,056	4,026,056	191,246
Federal sources	294,411	385,847	680,258	471,371	471,371	208,887
Total revenues	8,506,956	651,609	9,158,565	8,709,000	8,709,000	449,565
Expenditures/Expenses:						
Instruction	5,060,360	-	5,060,360	5,166,815	5,166,815	106,455
Support services	2,235,111	151,531	2,386,642	2,443,797	2,443,797	57,155
Non-instructional programs	2,795	451,321	454,116	492,498	492,498	38,382
Other expenditures	3,503,938	-	3,503,938	890,338	890,338	(2,613,600)
Total expenditures/expenses	10,802,204	602,852	11,405,056	8,993,448	8,993,448	(2,411,608)
Excess (Deficiency) of revenues over (under) expenditures/expenses	(2,295,248)	48,757	(2,246,491)	(284,448)	(284,448)	(1,962,043)
Other financing sources, net	2,567,916	(2,423)	2,565,493	89,168	89,168	2,476,325
Excess (Deficiency) of revenues and other financing sources over (under) expenditures/expenses	272,668	46,334	319,002	(195,280)	(195,280)	514,282
Balances beginning of year	1,846,793	249,590	2,096,383	1,295,141	1,295,141	801,242
Balances end of year	\$ 2,119,461	295,924	2,415,385	1,099,861	1,099,861	1,315,524

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST UNION COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2020

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the ended June 30, 2020, expenditures in the other expenditures function and in total exceeded the amounts budgeted.

EAST UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST SIX YEARS*
REQUIRED SUPPLEMENTARY INFORMATION

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.050740%	0.051087%	0.050627%	0.047111%	0.052562%	0.053265%
District's proportionate share of the net pension liability	\$ 2,938,176	3,232,889	3,372,417	2,964,862	2,596,829	2,112,419
District's covered payroll	\$ 3,861,504	3,845,933	3,779,082	3,375,337	3,598,131	3,485,398
District's proportionate share of the net pension liability as a percentage of its covered payroll	76.09%	84.06%	89.24%	87.84%	72.17%	60.61%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with Governmental Accounting Standards Board Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 358,708	364,526	343,442	337,472	301,913	321,313	311,246	280,878	246,435	202,137
Contributions in relation to the statutorily required contribution	(358,708)	(364,526)	(343,442)	(337,472)	(301,913)	(321,313)	(311,246)	(280,878)	(246,435)	(202,137)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 3,799,873	3,861,504	3,845,933	3,779,082	3,375,337	3,598,131	3,485,398	3,239,654	3,053,717	2,908,446
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST UNION COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2019 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2019:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2018.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2018 valuation implemented the following refinements as a result of an experience study dated March 24, 2018:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

EAST UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
FOR THE LAST THREE YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2020	2019	2018
Service cost	\$ 51,568	50,310	66,416
Interest cost	16,179	14,174	13,715
Differences between expected and actual experiences	(207,798)	-	-
Changes in assumptions	(4,468)	5,431	(652)
Benefit payments	(15,612)	(5,508)	(5,868)
Net change in total OPEB liability	(160,131)	64,407	73,611
Total OPEB liability beginning of year	516,894	452,487	378,876
Total OPEB liability end of year	<u>\$ 356,763</u>	<u>516,894</u>	<u>452,487</u>
Covered-employee payroll	\$ 3,886,166	3,045,236	2,929,054
Total OPEB liability as a percentage of covered-employee payroll	9.18%	16.97%	15.45%

Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Reporting period ended June 30, 2020	2.45%
Reporting period ended June 30, 2019	3.13%
Reporting period ended June 30, 2018	3.62%
Reporting period ended June 30, 2017	3.56%



EAST UNION COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

EAST UNION COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND ACCOUNTS
JUNE 30, 2020

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Playground Project	Total
Assets				
Cash and pooled investments	\$ 189,402	95,388	19,397	304,187
Receivables:				
Property tax:				
Delinquent	-	538	-	538
Succeeding year	-	264,078	-	264,078
Due from other governments	42,901	-	-	42,901
Total assets	\$ 232,303	360,004	19,397	611,704
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 55,033	2,483	-	57,516
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	264,078	-	264,078
Fund balances:				
Restricted for:				
School infrastructure	177,270	-	19,397	196,667
Physical plant and equipment	-	93,443	-	93,443
Total fund balances	177,270	93,443	19,397	290,110
Total liabilities, deferred inflows of resources and fund balances	\$ 232,303	360,004	19,397	611,704

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST UNION COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2020

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Playground Project	Total
Revenues:				
Local sources:				
Local tax	\$ -	52,968	-	52,968
Other	1,377	332	7,430	9,139
State sources	509,317	164	-	509,481
Total revenues	510,694	53,464	7,430	571,588
Expenditures:				
Current:				
Support services:				
Instructional staff	208,053	9,051	-	217,104
Administration	22,362	-	-	22,362
Operation and maintenance of plant	10,304	-	-	10,304
Transportation	92,458	3,146	-	95,604
Capital outlay	251,005	32,058	4,312	287,375
Total expenditures	584,182	44,255	4,312	632,749
Excess (Deficiency) of revenues over (under) expenses	(73,488)	9,209	3,118	(61,161)
Other financing uses:				
Transfer out	(103,096)	(14,032)	-	(117,128)
Change in fund balances	(176,584)	(4,823)	3,118	(178,289)
Fund balances beginning of year	353,854	98,266	16,279	468,399
Fund balances end of year	\$ 177,270	93,443	19,397	290,110

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2020

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ 1,492	2,126	2,399	1,219
6-12 music	6,806	207	2,911	4,102
Junior High honor band	2,442	1,133	1,230	2,345
Archery	13,589	11,900	12,973	12,516
Co-ed cross country	1,488	1,666	2,128	1,026
Co-ed golf	1,318	1,167	1,779	706
Cheerleading	1,651	2,841	1,309	3,183
Drill team	2,351	6,196	3,753	4,794
Boys basketball	1,313	560	20	1,853
Boys football	1,132	2,768	2,087	1,813
Boys baseball	193	1,237	1,397	33
Boys track	864	147	209	802
Boys wrestling	50	-	50	-
Girls basketball	3,317	953	952	3,318
Girls volleyball	525	880	1,253	152
Girls softball	831	711	-	1,542
Girls track	2,288	1,427	2,327	1,388
General athletics	31,769	41,470	64,831	8,408
Class of 2019	355	-	355	-
Class of 2020	3,499	-	3,042	457
Class of 2021	4,895	3,405	835	7,465
Class of 2022	923	-	-	923
Concessions	3,268	15,954	13,538	5,684
FFA	2,756	21,959	21,077	3,638
FCCLA	1,917	426	401	1,942
Science club	2,083	-	-	2,083
Spanish club	155	100	-	255
Art club	4,757	3,678	4,171	4,264
Art club - memorial donation	70	-	70	-
Student council	708	1,188	1,327	569
MS student council	2,294	232	43	2,483
MS student council	-	1,502	940	562
MS fundraisers	563	-	-	563
Yearbook	821	7,237	4,114	3,944
Fine arts grant	-	10,000	9,000	1,000
Total	\$ 102,483	143,070	160,521	85,032

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
Local sources:										
Local tax	\$ 3,008,256	2,896,999	2,825,299	2,730,422	2,592,713	2,515,262	2,450,068	2,627,664	2,792,376	2,633,831
Tuition	591,828	424,371	396,730	360,224	403,221	345,626	241,550	264,161	150,328	95,132
Other	398,008	394,143	405,314	397,500	349,413	354,640	298,555	371,373	547,950	1,247,379
State sources	4,214,453	4,143,977	4,068,035	4,229,002	4,075,003	3,768,874	3,229,379	2,552,631	2,657,367	2,852,240
Federal sources	294,411	234,151	236,817	259,191	277,548	222,973	211,209	277,547	610,822	1,153,908
Total	<u>\$ 8,506,956</u>	<u>8,093,641</u>	<u>7,932,195</u>	<u>7,976,339</u>	<u>7,697,898</u>	<u>7,207,375</u>	<u>6,430,761</u>	<u>6,093,376</u>	<u>6,758,843</u>	<u>7,982,490</u>
Expenditures:										
Instruction:										
Regular	\$ 3,081,243	2,980,828	2,872,408	2,677,779	2,873,489	2,819,952	2,375,462	2,388,648	2,300,559	2,004,332
Special	888,504	821,143	856,025	788,819	765,017	758,050	741,778	599,738	483,167	561,011
Other	1,090,613	1,101,267	1,053,185	1,106,272	1,016,007	945,408	963,854	907,251	852,918	910,718
Support services:										
Student	80,520	54,612	53,625	53,117	57,082	55,608	55,039	56,672	54,419	48,741
Instructional staff	332,361	283,459	257,665	312,252	322,724	256,890	224,742	347,827	292,037	385,617
Administration	841,426	717,418	721,772	685,413	683,853	653,170	765,613	660,975	665,182	573,761
Operation and maintenance of plant	567,490	520,777	589,657	546,076	496,950	451,149	483,712	480,367	426,108	385,107
Transportation	413,314	372,199	629,040	414,833	338,302	530,981	353,218	366,727	482,608	330,215
Non-instructional programs	2,795	7,101	-	-	-	-	-	-	-	-
Capital outlay	287,375	183,819	199,858	220,002	75,662	437,902	224,857	87,132	3,134,662	4,061,215
Long-term debt:										
Principal	2,869,727	402,165	301,072	270,247	257,145	239,072	281,992	273,497	592,701	310,000
Interest	126,005	169,382	174,384	184,271	190,584	196,368	189,938	216,357	259,382	230,687
Other expenditures:										
AEA flowthrough	220,831	219,935	220,446	218,179	216,594	204,983	192,256	181,667	184,489	209,828
Total	<u>\$ 10,802,204</u>	<u>7,834,105</u>	<u>7,929,137</u>	<u>7,477,260</u>	<u>7,293,409</u>	<u>7,549,533</u>	<u>6,852,461</u>	<u>6,566,858</u>	<u>9,728,232</u>	<u>10,011,232</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of East Union Community School District, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise East Union Community School District's basic financial statements, and have issued our report thereon dated May 4, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify a certain deficiency in internal control, described in Part I of the accompanying Schedule of Findings as item I-A-20 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Union Community School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance 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, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

East Union Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

May 4, 2021
Newton, Iowa

EAST UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-20 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody, and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

Condition - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more of the following areas for the District:

- 1) Cash - collecting money, preparing initial deposit slip, depositing; posting to uniform accounting system and reconciling.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting money, preparing initial deposit slip, depositing; posting to uniform accounting system and reconciling.
- 4) Journal entries - writing, approving, and posting.
- 5) School lunch program - collecting money from students, preparing initial receipt and deposit slip; posting to uniform accounting system and reconciling.

Cause - The District has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors, or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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

Response - The District will review its control procedures to obtain the maximum internal control possible under the circumstances.

Conclusion - Response accepted.

EAST UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-20 Certified Budget - Expenditures for the year ended June 30, 2020 exceed the certified budget in the amounts in other expenditures functional area and in total.

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

Response - The district amended the budget; however, the estimate was not large enough to not exceed the amended amount.

Conclusion - Response accepted.

- II-B-20 Questionable Expenditures - We noted during our audit instances of the District paying sales tax charges on invoices. As the District is a tax-exempt entity, payment for sales tax would not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review their purchasing procedures currently in place and make the necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979.

Response - The District has reviewed our purchasing procedures and have made the necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979.

Conclusion - Response accepted.

- II-C-20 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-20 Business Transactions - Business transactions between the District and District officials or employees were noted, as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ben Clear, Board Member Coach	Services	\$4,080

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions do not appear to represent a conflict of interest.

- II-E-20 Restricted Donor Activity - No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

- II-F-20 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 ensure the coverage is adequate for current operations.

- II-G-20 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-H-20 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-I-20 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-J-20 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-K-20 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-L-20 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- II-M-20 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2020, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning balance		\$ 353,854
Revenues:		
Sales tax revenues	\$ 509,317	
Other local revenues	<u>1,377</u>	<u>510,694</u>
Expenditures/transfers out:		
School infrastructure construction	235,420	
Equipment	223,305	
Other	125,457	
Transfers to other funds:		
Debt service fund	<u>103,096</u>	<u>687,278</u>
Ending balance		<u>\$ 177,270</u>

For the year ended June 30, 2020, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.