HAMBURG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Hamburg Community School District

Officials

Name	Title	Term Expires
	Board of Education	
Hillary Christiansen	President	2013
Greg Warden	Vice President	2013
Bill Green	Board Member	2011
Jim Nahkunst	Board Member	2011
Charles Dovel	Board Member	2011
	School Officials	
Jay Lutt	Superintendent	2011
Denise Stevens	Board Secretary/ District Treasurer	2011
Gruhn Law Firm	Attorney	2011

HAMBURG COMMUNITY SCHOOL DISTRICT

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 the
Hamburg Community School District:

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 the Hamburg Community School District, Hamburg, Iowa as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the Hamburg Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2012 on our consideration of the Hamburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hamburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for seven years ended June 30, 2010 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hamburg 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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $3,065,812 in fiscal 2010 to $3,360,411 in fiscal 2011, while General Fund expenditures decreased from $3,187,627 in fiscal 2010 to $2,856,797 in fiscal 2011. This resulted in a decrease in the District's General Fund balance from a deficit balance of $288,229 in fiscal 2010 to a positive balance of $215,385 in fiscal 2011, a 174.73% increase from the prior year.

- The increase in General Fund revenues was attributable to the District receiving more in local tax revenue during fiscal year 2011. The decrease in expenditures was due primarily to the decrease in expenditures in the instruction and support services functional area.

- The District's solvency ratio increased from a deficit 13.47% for fiscal year 2010 to a positive 1.83% for fiscal year 2011.

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 Assets and a Statement of Activities. These provide information about the activities of Hamburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hamburg 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 Hamburg Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Hamburg Community School District Annual Financial Report

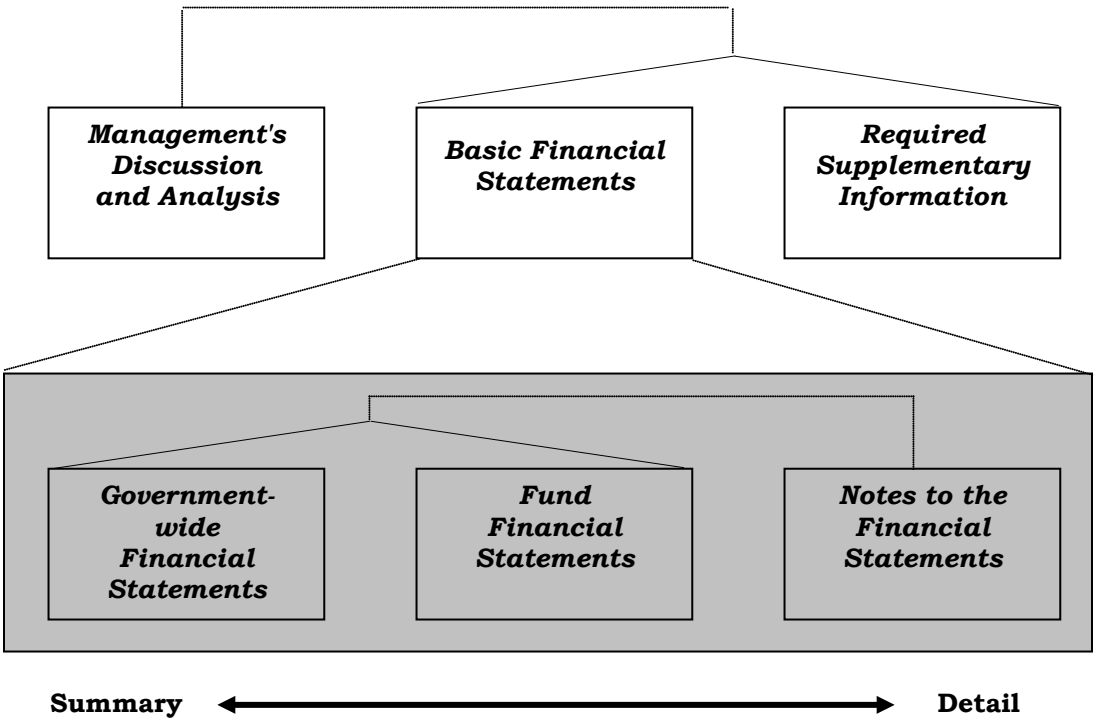

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

   The District's governmental funds include the General Fund, the Special Revenues Funds, the Capital Projects Fund.

   The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

   The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

- Private-Purpose Trust Fund - The District accounts for the outside donations for scholarships for individual students in this fund.

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	$ 3,178,253	3,000,628	10,410	108,863	3,188,663	3,109,491	2.55%
Capital assets	841,893	863,021	50,966	55,634	892,859	918,655	-2.81%
Total assets	4,020,146	3,863,649	61,376	164,497	4,081,522	4,028,146	1.33%
Long-term liabilities	150,382	58,992	445	228	150,827	59,220	154.69%
Other liabilities	1,606,010	1,903,802	63,005	140,032	1,669,015	2,043,834	-18.34%
Total liabilities	1,756,392	1,962,794	63,450	140,260	1,819,842	2,103,054	-13.47%
Net assets:							
Invested in capital assets	841,893	863,021	50,966	55,634	892,859	918,655	-2.81%
Restricted	1,412,329	1,402,059	0	0	1,412,329	1,402,059	0.73%
Unrestricted	9,532	(364,225)	(53,040)	(31,397)	(43,508)	(395,622)	89.00%
Total net assets	$ 2,263,754	1,900,855	(2,074)	24,237	2,261,680	1,925,092	17.48%

The District's combined net assets increased by 17.48%, or $336,588, from the prior year. A portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment).

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased $10,270, or 0.73% from the prior year. The increase in restricted net assets can be attributed to the increase in the Capital Projects: Statewide Sales, Services, and Use Tax Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased $352,114, or 89.00%. This increase in unrestricted net assets was primarily a result of the increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to June 30, 2010.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues and transfers:							
Program revenues:							
Charges for services	$ 288,932	143,672	56,798	47,895	345,730	191,567	80.47%
Operating grants and contributions and restricted interest	370,877	693,820	91,439	91,887	462,316	785,707	-41.16%
General revenues:							
Property tax	1,547,854	1,340,816	0	0	1,547,854	1,340,816	15.44%
Income surtax	59,697	55,393	0	0	59,697	55,393	7.77%
Statewide sales, services and use tax	128,385	200,867	0	0	128,385	200,867	-36.08%
Nonspecific program federal grants	85,476	0	0	0	85,476	0	100.00%
Unrestricted state grants	1,093,165	1,007,059	0	0	1,093,165	1,007,059	8.55%
Unrestricted investment earnings	3,428	7,400	41	84	3,469	7,484	-53.65%
Other	17,468	28,436	780	626	18,248	29,062	-37.21%
Transfers	(540)	(47,817)	540	47,817	0	0	0.00%
Total revenues and transfers	3,594,742	3,429,646	149,598	188,309	3,744,340	3,617,955	3.49%
Program expenses:							
Governmental activities:							
Instructional	2,050,931	2,147,876	0	0	2,050,931	2,147,876	-4.51%
Support services	1,010,301	1,180,984	0	11,391	1,010,301	1,192,375	-15.27%
Non-instructional programs	0	0	175,909	173,051	175,909	173,051	1.65%
Other expenditures	170,611	271,975	0	0	170,611	271,975	-37.27%
Total expenses	3,231,843	3,600,835	175,909	184,442	3,407,752	3,785,277	-9.97%
Changes in net assets	362,899	(171,189)	(26,311)	3,867	336,588	(167,322)	-301.16%
Beginning net assets	1,900,855	2,072,044	24,237	20,370	1,925,092	2,092,414	-8.00%
Ending net assets	$ 2,263,754	1,900,855	(2,074)	24,237	2,261,680	1,925,092	17.48%

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 78.70% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.09% of the revenue from business type activities.

The District's total revenues were approximately $3.74 million of which $3.59 million was for governmental activities and $0.15 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.49% increase in revenues and a 9.97% decrease in expenses.

Governmental Activities

Revenues for governmental activities were $3,594,742 and expenses were $3,231,843 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	$ 2,050,931	2,147,876	-4.51%	1,527,271	1,426,781	7.04%
Support services	1,010,301	1,180,984	-14.45%	987,525	1,180,984	-16.38%
Other expenses	170,611	271,975	-37.27%	57,238	155,578	-63.21%
Totals	$ 3,231,843	3,600,835	-10.25%	2,572,034	2,763,343	-6.92%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was $288,932.
- Federal and state governments subsidized certain programs with grants and contributions totaling $370,877.
- The net cost of governmental activities was financed with $1,547,854 in property tax, $59,697 in income surtax, $128,385 in statewide sales, services and use tax, $85,476 in nonspecific program federal funding, $1,093,165 in unrestricted state grants, $3,428 in interest income and $16,928 in other income, net of transfers.

Business Type Activities

Revenues of the District's business type activities were $149,598 and expenses were $175,909 for the year ended June 30, 2011. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Hamburg 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 $1,518,590, above last year's ending fund balances of $1,049,382. However, the primary reason for the increase in combined fund balances in fiscal 2011 is due to an increase in the General Fund balance.

Governmental Fund Highlights

- The District's General Fund balance increased from a deficit balance of $288,229 to a positive balance of $215,385 is the product of many factors. Revenues increased from $3,065,759 at June 30, 2010 to $3,360,411 at June 30, 2011, while expenditures decreased from $3,187,627 at June 30, 2010 to $2,856,797 at June 30, 2011.
- The Capital Projects Fund balance increased from $1,234,395 in fiscal 2010 to $1,235,536 in fiscal 2011. This was due primarily to an increase in the Capital Projects: Statewide Sales, Services and Use Fund balance. During the year June 30, 2011 the Physical Plant and Equipment Levy Fund was reclassified as a Capital Projects Account due to GASB statement number 54.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from $24,237 at June 30, 2010 to a deficit of $2,074 at June 30, 2011, representing a decrease of 108.56%.

BUDGETARY HIGHLIGHTS

The District's revenues were $151,800 less than budgeted revenues, a variance of 3.90%. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested $892,859, 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) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was $178,941.

The original cost of the District's capital assets was $3,599,982. Governmental funds account for $3,508,929 with the remainder of $91,053 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled $147,328 at June 30, 2011, compared to $218,274 reported at June 30, 2010. This decrease resulted from the deletion of two vehicles and equipment during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	$ 42,707	42,707	0	0	42,707	42,707	0.00%
Buildings	606,113	600,938	0	0	606,113	600,938	0.85%
Land improvements	96,711	56,736	0	0	96,711	56,736	41.33%
Machinery and equipment	96,362	162,640	50,966	55,634	147,328	218,274	-48.16%
Total	$ 841,893	863,021	50,966	55,634	892,859	918,655	-2.81%

Long-Term Debt

At June 30, 2011, the District had $150,827 in other long-term debt outstanding. This represents an increase of 154.69% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding early retirement payable of $128,757 from the Special Revenue, Management Fund at June 30, 2011.

The District had a net OPEB liability of $22,070 as of June 30, 2011.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities June 30,		Business type Activities June 30,		Total School District June 30,		Total Change June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Early retirement	128,757	47,908	0	0	128,757	47,908	168.76%
Net OPEB obligation	21,625	11,084	445	228	22,070	11,312	100.00%
Total	$ 150,382	58,992	445	228	150,827	59,220	154.69%

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:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.

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 Gloria McComb, Business Manager, Hamburg Community School District, 105 E Street, Hamburg, Iowa, 51640.

HAMBURG COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

Exhibit A

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,565,822	5,072	1,570,894
Receivables:			
Property tax:			
Delinquent	15,802	-	15,802
Succeeding year	1,340,160	-	1,340,160
Income surtax	53,653	-	53,653
Accounts	7,371	4,905	12,276
Due from other funds	63,005	433	63,438
Due from other governments	132,440	-	132,440
Capital assets, net of accumulated depreciation	841,893	50,966	892,859
TOTAL ASSETS	4,020,146	61,376	4,081,522
LIABILITIES			
Excess of warrants issued over bank balance	13,738	-	13,738
Due to other funds	433	63,005	63,438
Accounts payable	1,828	-	1,828
Salaries and benefits payable	249,326	-	249,326
Deferred revenue:			
Succeeding year property tax	1,340,160	-	1,340,160
Other	525	-	525
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	77,720	-	77,720
Portion due after one year:			
Early retirement payable	51,037	-	51,037
Net OPEB Liability	21,625	445	22,070
TOTAL LIABILITIES	1,756,392	63,450	1,819,842
NET ASSETS			
Invested in capital assets	841,893	50,966	892,859
Restricted for:			
Categorical funding	153,820	-	153,820
Student activities	22,973	-	22,973
School infrastructure	1,003,476	-	1,003,476
Physical plant and equipment	232,060	-	232,060
Unassigned	9,532	(53,040)	(43,508)
TOTAL NET ASSETS	$ 2,263,754	(2,074)	2,261,680

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit B

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	$ 1,416,009	225,362	150,429	(1,040,218)	-	(1,040,218)
Special	375,888	-	51,270	(324,618)	-	(324,618)
Other	259,034	59,514	37,085	(162,435)	-	(162,435)
	2,050,931	284,876	238,784	(1,527,271)	-	(1,527,271)
Support services:						
Student	74,709	-	-	(74,709)	-	(74,709)
Instructional staff	42,299	-	15,068	(27,231)	-	(27,231)
Administration	487,516	-	2,244	(485,272)	-	(485,272)
Operation and maintenance of plant	227,943	-	1,157	(226,786)	-	(226,786)
Transportation	177,834	4,056	251	(173,527)	-	(173,527)
	1,010,301	4,056	18,720	(987,525)	-	(987,525)
Other expenditures:						
AEA flowthrough	113,373	-	113,373	-	-	-
Depreciation(unallocated)*	57,238	-	-	(57,238)	-	(57,238)
	170,611	-	113,373	(57,238)	-	(57,238)
Total governmental activities	3,231,843	288,932	370,877	(2,572,034)	-	(2,572,034)
Business Type activities:						
Non-instructional programs:						
Nutrition services	175,909	56,798	91,439	-	(27,672)	(27,672)
Total business type activities	175,909	56,798	91,439	-	(27,672)	(27,672)
Total	$ 3,407,752	345,730	462,316	(2,572,034)	(27,672)	(2,599,706)
General Revenues and transfers:						
General revenues:						
Property tax levied for:						
General purposes				$ 1,513,342	-	1,513,342
Capital outlay				34,512	-	34,512
Income surtax				59,697	-	59,697
Statewide sales, services and use tax				128,385	-	128,385
Nonspecific program federal funding				85,476	-	85,476
Unrestricted state grants				1,093,165	-	1,093,165
Unrestricted investment earnings				3,428	41	3,469
Other				17,468	780	18,248
Transfers				(540)	540	-
Total general revenues and transfers				2,934,933	1,361	2,936,294
Changes in net assets				362,899	(26,311)	336,588
Net assets beginning of year				1,900,855	24,237	1,925,092
Net assets end of year				$ 2,263,754	(2,074)	2,261,680

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

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit C

HAMBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	$ 289,916	1,187,458	88,448	1,565,822
Receivables:				
Property tax:				
Delinquent	15,484	318	-	15,802
Succeeding year	1,207,582	32,578	100,000	1,340,160
Income surtax	53,653	-	-	53,653
Due from other funds	77,555	359	-	77,914
Accounts	-	-	7,371	7,371
Due from other governments	83,971	48,469	-	132,440
TOTAL ASSETS	$ 1,728,161	1,269,182	195,819	3,193,162
LIABILITIES AND FUND BALANCES				
Liabilities:				
Excess of warrants issued over bank balance	$ -	-	13,738	13,738
Due to other funds	792	1,068	13,482	15,342
Accounts payable	898	-	930	1,828
Salaries and benefits payable	249,326	-	-	249,326
Deferred revenue:				
Succeeding year property tax	1,207,582	32,578	100,000	1,340,160
Income surtax	53,653	-	-	53,653
Other	525	-	-	525
Total liabilities	1,512,776	33,646	128,150	1,674,572
Fund balances:				
Restricted for:				
Categorical funding	153,820	-	-	153,820
Management levy purposes	-	-	87,986	87,986
Student activities	-	-	22,973	22,973
School infrastructure	-	1,003,476	-	1,003,476
Physical plant and equipment	-	232,060	-	232,060
Unassigned:				
General	61,565	-	-	61,565
Student activities	-	-	(43,290)	(43,290)
Total fund balances	215,385	1,235,536	67,669	1,518,590
TOTAL LIABILITIES AND FUND BALANCES	$ 1,728,161	1,269,182	195,819	3,193,162

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit D

HAMBURG COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total fund balances of governmental funds(page 20)	$ 1,518,590
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	841,893
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	53,653
Long-term liabilities, including early retirement payable and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(150,382)
Net assets of governmental activities(page 18)	$ 2,263,754

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit E

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	$ 1,566,830	162,897	-	1,729,727
Tuition	222,692	-	-	222,692
Other	23,554	1,137	64,628	89,319
State sources	1,326,701	-	-	1,326,701
Federal sources	220,634	-	-	220,634
Total revenues	3,360,411	164,034	64,628	3,589,073
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,299,931	14,970	21,205	1,336,106
Special	375,373	-	-	375,373
Other	182,936	-	66,212	249,148
	1,858,240	14,970	87,417	1,960,627
Support services:				
Student	74,705	-	-	74,705
Instructional staff	33,764	8,448	-	42,212
Administration services	453,672	-	11,596	465,268
Operation and maintenance of plant	196,647	34,411	1,162	232,220
Transportation	126,396	10,284	-	136,680
	885,184	53,143	12,758	951,085
Other expenditures:				
Facilities acquisitions	-	94,780	-	94,780
AEA flowthrough	113,373	-	-	113,373
	113,373	94,780	-	208,153
Total expenditures	2,856,797	162,893	100,175	3,119,865
Excess(deficiency)of revenues over(under) expenditures	503,614	1,141	(35,547)	469,208
Fund balance beginning of year, as restated	(288,229)	1,234,395	103,216	1,049,382
Fund balance end of year	$ 215,385	1,235,536	67,669	1,518,590

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit F

HAMBURG 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, 2011

Net change in fund balances - total governmental funds(page 22)		$ 469,208
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	$ 151,705	
Depreciation expense	(172,833)	(21,128)
Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		6,209
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:		
Other postemployment benefits	(10,541)	
Early retirement payable	(80,849)	(91,390)
Changes in net assets of governmental activities(page 19)		$ 362,899

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit G

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	School Nutrition
ASSETS	
Cash and cash equivalents	$ 5,072
Accounts receivable	4,905
Due from other funds	433
Capital assets, net of accumulated depreciation	50,966
TOTAL ASSETS	61,376
LIABILITIES	
Due to other funds	63,005
OPEB liability	445
TOTAL LIABILITIES	63,450
NET ASSETS	
Invested in capital assets	50,966
Unrestricted	(53,040)
TOTAL NET ASSETS	$ (2,074)

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit H

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	$ 56,798
Miscellaneous	780
TOTAL OPERATING REVENUES	57,578
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	72,055
Benefits	20,090
Supplies	77,556
Depreciation	6,108
Other	100
Total non-instructional programs	175,909
TOTAL OPERATING EXPENSES	175,909
OPERATING LOSS	(118,331)
NON-OPERATING REVENUES:	
State sources	1,384
Federal sources	90,055
Interest income	41
TOTAL NON-OPERATING REVENUES	91,480
Change in net assets before other financing sources	(26,851)
Other financing sources:	
Capital contributions	540
Change in net assets	(26,311)
Net assets beginning of year	24,237
Net assets end of year	$ (2,074)

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	$ 54,693
Cash received from miscellaneous sources	780
Cash payments to employees for services	(91,928)
Cash payments to suppliers for goods or services	(68,593)
Net cash used in operating activities	(105,048)
Cash flows from non-capital financing activities:	
Repayments to the General Fund	(77,460)
State grants received	1,384
Federal grants received	81,999
Net cash provided by non-capital financing activities	5,923
Cash flows from capital financing activities:	
Acquisition of assets	(900)
Cash flows from investing activities:	
Interest on investments	41
Net decrease in cash and cash equivalents	(99,984)
Cash and cash equivalents at beginning of year	105,056
Cash and cash equivalents at end of year	$ 5,072
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (118,331)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	8,056
Depreciation	6,108
Decrease in inventories	1,007
Increase in accounts receivable	(2,105)
Increase in OPEB liability	217
Net cash used in operating activities	$ (105,048)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at $8,056.

During the year ended June 30, 2011, the District received contributed capital of $540 from the PPEL Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit J

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	$ 42,096
Liabilities	-
Net Assets	
Restricted for scholarships	42,947
Unrestricted	(851)
Total	$ 42,096

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit K

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	Scholarship
ADDITIONS:	
Local sources:	
Interest income	$ 2
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	6,500
Change in net assets	(6,498)
Net assets beginning of year	48,594
Net assets end of year	$ 42,096

SEE NOTES TO FINANCIAL STATEMENTS.

(1) Summary of Significant Accounting Policies

The Hamburg 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. The geographic area served includes the City of Hamburg, Iowa, and the predominate agricultural territory in Fremont 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, Hamburg 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 Hamburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets 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 Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation.

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

Unrestricted net asset consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 District reports the following proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

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

Asset Class	Amount
Land	$ -
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more
Machinery and equipment	5-20 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the non-instructional programs functional area exceeded the amounts budgeted.

(2) Cash and Pooled Investments

The District’s deposits at June 30, 2011 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District’s agent in the District’s name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of $834,480 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investor's Service.

(3) Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	School Nutrition	$ 63,005
School Nutrition	General Fund	433
Capital Projects, PPEL Fund	General Fund	359
General Fund	Capital Projects, PPEL Fund	1,068
General Fund	Special Revenue, Student Activity	13,482
		$ 78,347

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year	Interest Payable
2010-11A	6/30/10	6/23/11	$ -	475,000	475,000	-	-

During the year ended June 30, 2011 the District paid $4,017 of interest on the ISCAP warrants.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 42,707	-	-	42,707
Total capital assets not being depreciated	42,707	-	-	42,707
Capital assets being depreciated:				
Buildings	2,046,296	54,683	-	2,100,979
Land improvements	257,003	47,705	-	304,708
Machinery and equipment	1,091,008	49,317	79,790	1,060,535
Total capital assets being depreciated	3,394,307	151,705	79,790	3,466,222
Less accumulated depreciation for:				
Buildings	1,445,358	49,508	-	1,494,866
Land improvements	200,267	7,730	-	207,997
Machinery and equipment	928,368	115,595	79,790	964,173
Total accumulated depreciation	2,573,993	172,833	79,790	2,667,036
Total capital assets being depreciated, net	820,314	(21,128)	-	799,186
Governmental activities capital assets, net	$ 863,021	(21,128)	-	841,893

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	$ 105,309	1,440	15,696	91,053
Less accumulated depreciation	49,675	6,108	15,696	40,087
Business type activities capital assets, net	$ 55,634	(4,668)	-	50,966

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 24,637
Special	2,530
Other	9,576
Support services:	
Administration	20,452
Operation and maintenance of plant	3,394
Transportation	55,006
	115,595
Unallocated depreciation	57,238
Total governmental activities depreciation expense	$ 172,833
Business type activities:	
Food services	$ 6,108

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Early Retirement	$ 47,908	102,075	21,226	128,757	77,720
Net OPEB liability	11,084	10,541	-	21,625	-
Total	$ 58,992	112,616	21,226	150,382	77,720
Business Type activities:					
Net OPEB liability	$ 228	217	-	445	-

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed twenty-five years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will pay health insurance benefits until the retiree reaches age sixty-five. A liability has been recorded in the Statement of Net Assets for government-wide activities for these early retirement benefits. Early retirement benefits paid during the year ended June 30, 2011, totaled $21,226.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District’s contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were $109,327, $114,611, and $111,830 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits

Plan Description – The District operates a single-employer retiree benefit plan which provides medical, prescription drug and dental benefits for retirees and their spouses. There are 27 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	$ 22,351
Interest on net OPEB obligation	283
Adjustment to annual required contribution	(1,638)
Annual OPEB cost	20,996
Contributions made	(10,238)
Increase in net OPEB obligation	10,758
Net OPEB obligation beginning of year	11,312
Net OPEB obligation end of year	$ 22,070

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	$ 21,370	47.07%	$ 11,312
2011	20,996	48.76%	22,070

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was $185,940, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $185,940. The covered payroll (annual payroll of active employees covered by the plan) was $1,425,726, and the ratio of the UAAL to covered payroll was 13.04%. As of June 30, 2011 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual

results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial valuation date, the Frozen Entry Age Actuarial Cost Method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, Projected to 2000 applied on a gender-specific basis. Annual retirement and termination probabilities were based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The District is a member in the Iowa School Employees Benefits Association(ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, and prescription drugs. District contributions to ISEBA for the year ended June 30, 2011 were $234,323.

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $113,373 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance/Unrestricted Net Assets

The District has a deficit unassigned fund balance in the Student Activity Fund of $43,290. The District had a deficit unrestricted net assets of $53,040 in the Enterprise, School Nutrition Fund.

(12) Categorical Funding

The District's ending restricted balances for categorical funding for the year ended June 30, 2011 are comprised of the following projects:

Project	Amount
Dropout and Dropout Prevention	$ 58,067
Market Factor Incentives	2,384
Market Factor Grants	22,931
Market Factor	566
4 year old preschool	57,539
Professional development	8,808
Home School Assistance Program (HSAP)	3,525
Total	$ 153,820

(13) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2011, the District exceeded its budgeted amounts in the non-instructional expenditures function.

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	$ 926,199	308,196
Change in fund type classification per implementation of GASB Statement No. 54	308,196	(308,196)
Balances July 1, 2010, as restated	$ 1,234,395	-

REQUIRED SUPPLEMENTARY INFORMATION

HAMBURG COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:						
Local sources	$ 2,041,738	57,619	2,099,357	2,004,938	2,004,938	94,419
State sources	1,326,701	1,384	1,328,085	1,734,593	1,734,593	(406,508)
Federal sources	220,634	90,055	310,689	150,400	150,400	160,289
Total revenues	3,589,073	149,058	3,738,131	3,889,931	3,889,931	(151,800)
Expenditures/Expenses:						
Instruction	1,960,627	-	1,960,627	2,912,414	2,912,414	951,787
Support services	951,085	-	951,085	1,578,000	1,578,000	626,915
Non-instructional programs	-	175,909	175,909	175,000	175,000	(909)
Other expenditures	208,153	-	208,153	1,074,021	1,074,021	865,868
Total expenditures/expenses	3,119,865	175,909	3,295,774	5,739,435	5,739,435	2,443,661
Excess(deficiency)of revenues over(under)expenditures/expenses	469,208	(26,851)	442,357	(1,849,504)	(1,849,504)	2,291,861
Other financing sources, net	-	540	540	-	-	540
Excess(deficiency)of revenues and other finacing sources over(under)expenditures/expenses	469,208	(26,311)	442,897	(1,849,504)	(1,849,504)	2,292,401
Balance beginning of year	1,049,382	24,237	1,073,619	1,866,025	1,866,025	(792,406)
Balance end of year	$ 1,518,590	(2,074)	1,516,516	16,521	16,521	1,499,995

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

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

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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures in the non-instructional programs functional area exceeded the amounts budgeted.

HAMBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	$ -	$ 185,940	$ 185,940	0.00%	$ 1,767,181	10.52%
2011	July 1, 2009	-	185,940	185,940	0.00%	1,425,726	13.04%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

Schedule 1

HAMBURG COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	$ 87,986	462	88,448
Receivables:			
Property tax:			
Succeeding year	100,000	-	100,000
Accounts	-	7,371	7,371
Total assets	$ 187,986	7,833	195,819
Liabilities and Fund Balances			
Liabilities:			
Excess of warrants issued over bank balance	$ -	13,738	13,738
Due to other funds	-	13,482	13,482
Accounts payable	-	930	930
Deferred revenue:			
Succeeding year property tax	100,000	-	100,000
Total liabilities	100,000	28,150	128,150
Fund balances:			
Restricted for:			
Management levy purposes	87,986	-	87,986
Student activities	-	22,973	22,973
Unassigned:			
Student activities	-	(43,290)	(43,290)
Total fund balances	87,986	(20,317)	67,669
Total liabilities and fund balances	$ 187,986	7,833	195,819

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 2

HAMBURG COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Special Revenue		
	Manage-ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Other	$ 5,110	59,518	64,628
TOTAL REVENUES	5,110	59,518	64,628
EXPENDITURES:			
Current:			
Instruction:			
Regular	$ 21,205	-	21,205
Other	-	66,212	66,212
Support services:			
Administration	11,596	-	11,596
Operation and maintenance of plant	877	285	1,162
TOTAL EXPENDITURES	33,678	66,497	100,175
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(28,568)	(6,979)	(35,547)
Fund balance beginning of the year, as restated	116,554	(13,338)	103,216
Fund balance end of the year	$ 87,986	(20,317)	67,669

SEE ACCOMPANYING INDEPENDENT AUDITOR’S REPORT.

Schedule 3

HAMBURG COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECT ACCOUNTS
JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	$ 955,007	232,451	1,187,458
Receivables:			
Property tax:			
Delinquent	-	318	318
Succeeding year	-	32,578	32,578
Due from other funds	-	359	359
Due from other governments	48,469	-	48,469
Total assets	$ 1,003,476	265,706	1,269,182
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	$ -	1,068	1,068
Deferred revenue:			
Succeeding year property tax	-	32,578	32,578
Total liabilities	-	33,646	33,646
Fund balances:			
Restricted for:			
School infrastructure	1,003,476	-	1,003,476
Physical plant and equipment	-	232,060	232,060
Total fund balances	1,003,476	232,060	1,235,536
Total liabilities and fund balances	$ 1,003,476	265,706	1,269,182

SEE ACCOMPANYING INDEPENDENT AUDITOR’S REPORT.

Schedule 4

HAMBURG COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CAPITAL PROJECTS ACCOUNT
YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	$ 128,385	34,512	162,897
Other	671	466	1,137
TOTAL REVENUES	129,056	34,978	164,034
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	14,970	14,970
Support services:			
Instructional	8,448	-	8,448
Operation and maintenance of plant	-	34,411	34,411
Transportation	-	10,284	10,284
Other expenditures:			
Facilities acquisitions	43,331	51,449	94,780
TOTAL EXPENDITURES	51,779	111,114	162,893
Net Change in fund balances	77,277	(76,136)	1,141
Fund balance beginning of the year, as restated	926,199	308,196	1,234,395
Fund balance end of the year	$ 1,003,476	232,060	1,235,536

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

HAMBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi-tures	Balance End of Year
Interest	$ (6,497)	7,447	-	950
Drama	2,737	2,199	1,822	3,114
Chorus	(1,452)	137	1,535	(2,850)
Band	(1,537)	-	-	(1,537)
HS Athletics	(20,593)	14,823	17,107	(22,877)
HS Athletics Resale	(3,363)	2,661	2,179	(2,881)
JH Athletics	(1,281)	1,153	5,627	(5,755)
HS Cheerleading	1,875	-	-	1,875
JH Cheerleading	629	-	-	629
Art	68	-	-	68
Class of 2002	205	-	-	205
Class of 2003	(6,129)	-	-	(6,129)
Class of 2007	700	-	-	700
Class of 2008	591	-	20	571
Class of 2009	7,970	-	7,890	80
Class of 2010	1,260	-	39	1,221
Class of 2011	9,308	926	9,563	671
Class of 2012	1,442	10,953	7,147	5,248
Class of 2013	171	813	-	984
Class of 2014	-	171	-	171
Student Council	(1,764)	503	-	(1,261)
Key Club	-	521	146	375
Yearbook	167	4,499	3,633	1,033
Elementary Activity	2,165	12,584	9,757	4,992
Elementary Music Activity	(54)	128	32	42
Elementary Yearbook	44	-	-	44
Total	$ (13,338)	59,518	66,497	(20,317)

SEE ACCOMPANYING INDEPENDENT AUDITOR’S REPORT.

Schedule 6

HAMBURG COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund							
	Boldra Scholarship	Class of 1953 Scholarship	Activities Scholarship	Other Scholarship	Rice Scholarship	Hensleigh Scholarship	Pepsi Scholarship	Total
ASSETS								
Cash and pooled investments	$ (851)	550	350	100	17,112	24,833	2	42,096
LIABILITIES	-	-	-	-	-	-	-	-
NET ASSETS								
Unrestricted	(851)	-	-	-	-	-	-	(851)
Restricted for scholarships	-	550	350	100	17,112	24,833	2	42,947
Total net assets	$ (851)	550	350	100	17,112	24,833	2	42,096

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 7

HAMBURG COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund							
	Boldra Scholarship	Class of 1953 Scholarship	Activities Scholarship	Other Scholarship	Rice Scholarship	Hensleigh Scholarship	Pepsi Scholarship	Total
ADDITIONS:								
Local sources:								
Interest income	$ 1	-	-	-	-	1	-	2
DEDUCTIONS:								
Instruction:								
Regular:								
Scholarships awarded	$ 3,500	-	-	-	3,000	-	-	6,500
Changes in net assets	(3,499)	-	-	-	(3,000)	1	-	(6,498)
Net assets beginning of year	2,648	550	350	100	20,112	24,832	2	48,594
Net assets end of year	$ (851)	550	350	100	17,112	24,833	2	42,096

SEE ACCOMPANYING INDEPENDENT AUDITOR’S REPORT.

Schedule 8

HAMBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	$ 1,729,727	1,595,332	1,495,740	1,433,070	1,390,820	1,435,744	1,444,051	1,304,312
Tuition	222,692	72,521	91,603	107,798	75,449	75,210	85,975	61,534
Other	89,319	107,321	139,138	131,701	144,440	140,650	237,461	141,160
Intermediate sources	-	1,000	-	-	-	-	-	-
State sources	1,326,701	1,317,863	1,508,235	1,547,915	1,438,664	1,285,828	1,293,041	1,306,026
Federal sources	220,634	381,682	131,789	146,812	150,327	99,339	244,371	194,325
Total	$ 3,589,073	3,475,719	3,366,505	3,367,296	3,199,700	3,036,771	3,304,899	3,007,357
Expenditures:								
Current:								
Instruction:								
Regular	$ 1,336,106	1,300,988	1,509,588	1,332,653	1,314,265	1,223,556	1,106,577	1,169,307
Special	375,373	461,602	366,222	402,759	303,217	329,945	423,240	341,609
Other	249,148	365,869	271,120	274,313	326,518	335,126	251,490	162,934
Support services:								
Student	74,705	57,249	25,768	68,177	58,196	80,629	85,886	93,353
Instructional staff	42,212	77,027	76,388	94,482	81,216	47,723	42,790	40,715
Administration	465,268	561,185	402,493	488,458	444,707	440,965	416,633	404,342
Operation and maintenance of plant	232,220	324,099	274,327	298,480	306,839	282,213	335,478	236,005
Transportation	136,680	218,698	121,948	132,236	151,007	100,356	67,945	84,713
Central support	-	-	-	-	-	-	4,145	7,824
Non-instructional programs	-	5,255	-	-	458	-	7,800	7,750
Other expenditures:								
Facilities acquisitions	94,780	140,189	53,993	47,296	40,092	100,016	259,022	422,899
AEA flow-through	113,373	116,397	103,853	101,979	96,137	91,789	91,840	94,675
Total	$ 3,119,865	3,628,558	3,205,700	3,240,833	3,122,652	3,032,318	3,092,846	3,066,126

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT

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

To the Board of Education of the
Hamburg Community School District:

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 Hamburg Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 28, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hamburg Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hamburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hamburg Community School District's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

A significant deficiency is a deficiency or 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. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-11 through I-J-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part 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, 2011 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.

Hamburg Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Hamburg Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hamburg Community School District and other parties to whom Hamburg Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hamburg 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 PC

NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2012

HAMBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - 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. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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 - Our Board is aware that sufficient staff is not available to have adequate segregation of duties. We will discuss the options that might be available to us.

Conclusion - Response accepted.

I-B-11 Bank Reconciliations - We noted during our audit that bank reconciliations are not completed timely. The bank reconciliations serve as a control to help ensure deposits and receipts recorded reconcile. Also, bank reconciliations are essential in determining the financial position of each fund.

Recommendation - The District should review its procedures to ensure that bank reconciliations are done timely.

Response - We have changed Business Managers since the 2011 Audit and bank reconciliations are done every month for the financial statement given to the Board.

Conclusion - Response accepted.

I-C-11 Transfers Between Funds - We noted that transfers from the Student Activity Fund to the General Fund were not completed. These transfers include registration and textbook fees that were deposited into the Student Activity Fund.

Recommendation - The District should make sure the transfers from the Student Activity Fund to the General Fund are completed by year end.

Response - The transfer of funds between funds is monitored more closely now. The revenues are being sent to the correct bank account which limits the number of transfers between funds that are needed.

Conclusion - Response accepted.

I-D-11 Grants - We noted during our audit, that when expenditures for specific projects were posted they were not always properly posted to those projects resulting in numerous adjusting entries at year end.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - We are working very hard to correct the coding issues. There are many issues to solve but we are working on as many as we can.

Conclusion - Response accepted.

I-E-11 YRBS Grant - The District currently has a deferred revenue of $525 from a carryover from the FY08 year.

Recommendation - The District needs to expend the grant or pay the money back.

Response - The carryover will be expensed this year.

Conclusion - Response accepted.

I-F-11 TSA Payable - We noted during the audit that the District has a payable outstanding on the balance sheet of $2,605 for TSAs from the FY 09 year.

Recommendation - These TSA checks were sent back to the District. They need to either be reissued or paid back to the individuals who had the deductions from their paychecks.

Response - We have made every effort to correct these issues.

Conclusion - Response accepted.

I-G-11 Gate Admissions - During our audit we noted that the District doesn't utilize pre-numbered tickets for all events that require admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

a. Cash or change boxes should be established with a specified amount.

b. The District should use pre-numbered tickets.

c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.

d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.

e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.

f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.

g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" of the event.

h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.

i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.

j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - These items have been addressed with the Athletic Director.

Conclusion - Response accepted.

I-H-11 Deficit Student Account Balances - We noted during our audit that the District has deficit student balances in the Nutrition Fund. The District should design and implement procedures with regard to deficit accounts. The amount of negative balances continues to be a concern.

Recommendation - The District should design and implement procedures with regard to deficit accounts. The amount of negative balances continues to be a concern. The Board should direct management as to expectations in collecting deficit balances and how to proceed with lunch participation when an individual has a negative account balance.

Response - The Board and Administrators have been made aware of these deficiencies.

Conclusion - Response accepted.

I-I-11 Board Policies - We noted during the audit that the board policies are not being reviewed on a regular basis. The District has policies that have not been updated within five years.

Recommendation - Board policies should be reviewed by the Board at a minimum every five years.

Response - The Board will work on the policies to be compliant with updating and reviewing.

Conclusion - Response accepted.

I-J-11 Student Activity Class Accounts - We noted during our audit that the District has a Class of 2002, Class of 2003, Class of 2007 and Class of 2008 account.

Recommendation - Upon graduation, the remaining balance in old class accounts should be redistributed to other individual activity fund accounts or used as start-up funds for the next incoming class.

Response - The Board was made aware of the accounts left by graduating classes and have given the business manager direction for distribution of these funds.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - Expenditures for the year ended June 30, 2011 exceeded the amended certified budget amounts in the non-instructional program function.

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

Response - We will make every effort to more closely monitor expenditures in the future.

Conclusion - Response accepted.

II-B-11 Questionable Disbursements - We noted no expenditures that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-11 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-11 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Sue Warden, Substitute Teacher Husband is Board Member	Salaries	$ 2,665

The employment of the spouse of the Board Member does not appear to represent a conflict of interest.

II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The Board Secretary position has been given to a different person and will be more responsible for publishing the minutes in a more timely manner.

Conclusion - Response accepted.

II-G-11 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by one.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - Our auditors will be contacting the Iowa Department of Education and the Department of Management to resolve this issue.

Conclusion - Response accepted.

II-H-11 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-11 Categorical Funding -No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		$ 926,199
Revenues:		
Sales Tax Revenues	$ 128,385	
Other local revenues	671	129,056
		1,055,255
Expenditures		
School infrastructure construction	$ 25,572	
Equipment	9,965	
Other	16,242	51,779
Ending Balance		$ 1,003,476

For the year ended June 30, 2011 the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-11 Financial Condition - The District had a deficit unassigned fund balance of $43,290 in the Student Activity Fund. The District had a deficit unrestricted net assets in the Nutrition Fund of $53,040.

Recommendation - The District should continue to monitor these fund balances and investigate alternatives to eliminate the deficit. The District should also review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts.

Response - Accounting procedures have been improved with the intent of controlling purchases with the use of purchase orders to eliminate over spending in these accounts.

Conclusion - Response accepted.

II-N-11 Officiating Contracts - We noted during our audit that the Board President was not signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The Board has been advised of this requirement.

Conclusion - Response accepted.