

HAMBURG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Hamburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2011 Election)</b>		
Hillary Christiansen	President	2013
Greg Warden	Vice President	2013
Bill Green	Board Member	2011
Jim Nahkunst	Board Member	2011
Charles Dovel	Board Member	2011
<b>(After September 2011 Election)</b>		
Hillary Christiansen	President	2013
Steven Stenzel	Vice President	2015
Susan Harris	Board Member	2015
David Mincer	Board Member	2015
Greg Warden	Board Member	2013
<b>School Officials</b>		
Jay Lutt	Superintendent	2012
Pam Nebel	Board Secretary	2012
Denise Stevens	Business Manager/ District Treasurer (Resigned August 2012)	2012
Gloria McComb	Business Manager/ District Treasurer (Appointed September 2012)	2012
Ahlers & Cooney, P.C.	Attorney	2012

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, 2012, 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, 2012, 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 25, 2013 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.

U.S. generally accepted accounting principles require 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 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. 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 do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 eight years ended June 30, 2011 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The 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 is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2013

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,360,411 in fiscal 2011 to \$3,999,728 in fiscal 2012, while General Fund expenditures increased from \$2,856,797 in fiscal 2011 to \$3,526,487 in fiscal 2012. This resulted in an increase in the District's General Fund balance from a balance of \$215,385 in fiscal 2011 to a balance of \$688,626 in fiscal 2012, a 219.72% increase from the prior year.
- The increase in General Fund revenues was attributable to the District receiving more in local revenue during fiscal year 2012. The increase in expenditures was due primarily to the increase in expenditures in the instruction functional area.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net 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.

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**

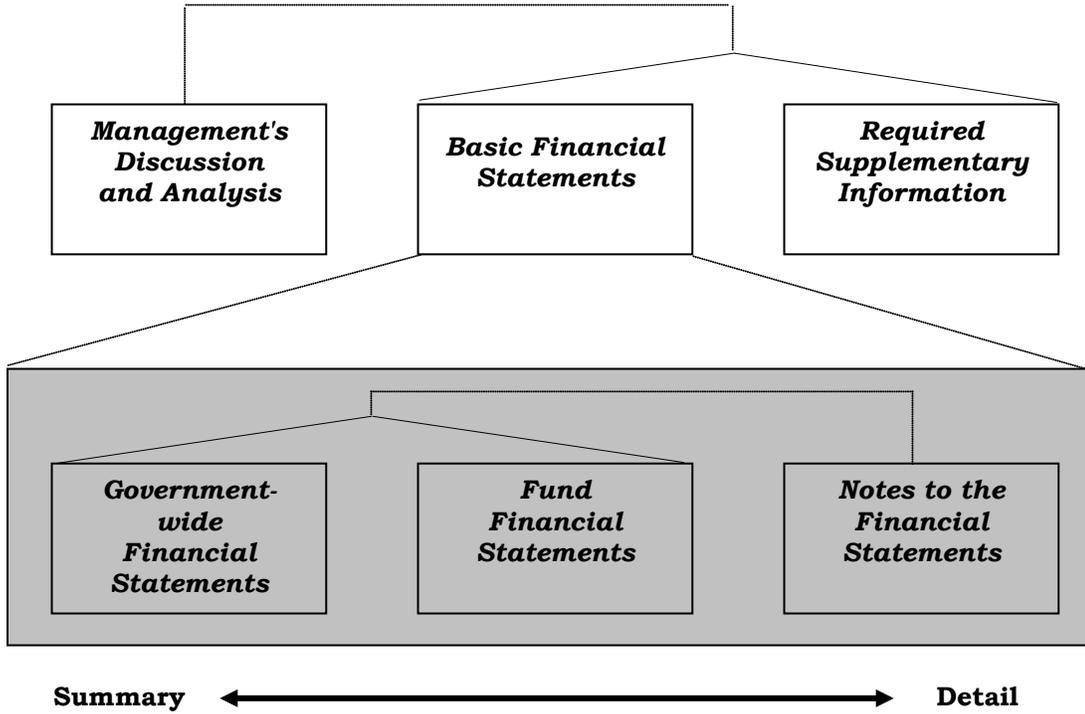


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	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	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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 District currently has one internal service fund accounting for flex-benefits for employees.

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, 2012 compared to June 30, 2011.

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,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 4,380,510	3,178,253	23,774	10,410	4,404,284	3,188,663	38.12%
Capital assets	1,218,794	841,893	46,455	50,966	1,265,249	892,859	41.71%
Total assets	5,599,304	4,020,146	70,229	61,376	5,669,533	4,081,522	38.91%
Long-term liabilities	100,439	150,382	829	445	101,268	150,827	-32.86%
Other liabilities	2,715,194	1,606,010	74,321	63,005	2,789,515	1,669,015	67.14%
Total liabilities	2,815,633	1,756,392	75,150	63,450	2,890,783	1,819,842	58.85%
Net assets:							
Invested in capital assets	1,218,794	841,893	46,455	50,966	1,265,249	892,859	41.71%
Restricted	1,132,544	1,412,329	0	0	1,132,544	1,412,329	-19.81%
Unrestricted	432,333	9,532	(51,376)	(53,040)	380,957	(43,508)	975.60%
Total net assets	\$ 2,783,671	2,263,754	(4,921)	(2,074)	2,778,750	2,261,680	22.86%

The District's combined net assets increased by 22.86%, or \$517,070, 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 decreased \$279,785, or 19.81% from the prior year. The decrease in restricted net assets can be attributed to the decrease 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 \$424,465, or 975.60%. 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, 2012 compared to June 30, 2011.

Figure A-4  
Changes of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 905,311	288,932	54,405	56,798	959,716	345,730	177.59%
Operating grants and contributions and restricted interest	272,727	370,877	93,401	91,439	366,128	462,316	-20.81%
Capital grants, contributions and restricted interest	0	0	3,249	0	3,249	0	100.00%
General revenues:							
Property tax	1,577,262	1,547,854	0	0	1,577,262	1,547,854	1.90%
Income surtax	60,592	59,697	0	0	60,592	59,697	1.50%
Statewide sales, services and use tax	153,777	128,385	0	0	153,777	128,385	19.78%
Nonspecific program federal grants	845	85,476	0	0	845	85,476	-99.01%
Unrestricted state grants	1,289,164	1,093,165	0	0	1,289,164	1,093,165	17.93%
Unrestricted investment earnings	487	3,428	73	41	560	3,469	-83.86%
Other	10,314	17,468	1,509	780	11,823	18,248	-35.21%
Transfers	0	(540)	0	540	0	0	0.00%
Total revenues and transfers	4,270,479	3,594,742	152,637	149,598	4,423,116	3,744,340	18.13%
Program expenses:							
Governmental activities:							
Instructional	2,583,172	2,050,931	0	0	2,583,172	2,050,931	25.95%
Support services	1,008,144	1,010,301	0	0	1,008,144	1,010,301	-0.21%
Non-instructional programs	0	0	155,484	175,909	155,484	175,909	-11.61%
Other expenditures	159,246	170,611	0	0	159,246	170,611	-6.66%
Total expenses	3,750,562	3,231,843	155,484	175,909	3,906,046	3,407,752	14.62%
Changes in net assets	519,917	362,899	(2,847)	(26,311)	517,070	336,588	53.62%
Beginning net assets	2,263,754	1,900,855	(2,074)	24,237	2,261,680	1,925,092	17.48%
Ending net assets	\$ 2,783,671	2,263,754	(4,921)	(2,074)	2,778,750	2,261,680	22.86%

In fiscal 2012, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 72.14% of the revenue from governmental activities while charges for services and operating grants and contributions account for 96.83% of the revenue from business type activities.

The District's total revenues were approximately \$4.42 million of which \$4.27 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 18.13% increase in revenues and a 14.62% increase in expenses.

### Governmental Activities

Revenues for governmental activities were \$4,270,479 and expenses were \$3,750,562 for the year ended June 30, 2012.

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, 2012 compared to the year ended June 30, 2011.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 2,583,172	2,050,931	25.95%	1,509,676	1,527,271	-1.15%
Support services	1,008,144	1,010,301	-0.21%	1,004,244	987,525	1.69%
Other expenses	159,246	170,611	-6.66%	58,604	57,238	2.39%
Totals	\$ 3,750,562	3,231,843	16.05%	2,572,524	2,572,034	0.02%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$905,311.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$272,727.
- The net cost of governmental activities was financed with \$1,577,262 in property tax, \$60,592 in income surtax, \$153,777 in statewide sales, services and use tax, \$845 in nonspecific program federal funding, \$1,289,164 in unrestricted state grants, \$487 in interest income and \$10,314 in other income.

### Business Type Activities

Revenues of the District's business type activities were \$152,637 and expenses were \$155,484 for the year ended June 30, 2012. 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 \$1,611,616, above last year's ending fund balances of \$1,518,590. However, the primary reason for the increase in combined fund balances in fiscal 2012 is due to an increase in the General Fund balance.

### Governmental Fund Highlights

- The District's General Fund balance increased from a balance of \$215,385 to a balance of \$688,626 is the product of many factors. Revenues increased from \$3,360,411 at June 30, 2011 to \$3,999,728 at June 30, 2012, while expenditures increased from \$2,856,797 at June 30, 2011 to \$3,526,487 at June 30, 2012.
- The Capital Projects Fund balance decreased from \$1,235,536 in fiscal 2011 to \$903,255 in fiscal 2012. This was due primarily to a decrease in the Capital Projects: Statewide Sales, Services and Use Fund balance.

## Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from a deficit \$2,074 at June 30, 2011 to a deficit of \$4,921 at June 30, 2012, representing a decrease of 137.27%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$228,808 more than budgeted revenues, a variance of 5.46%. The most significant variance resulted from the District receiving more in local source revenues than originally anticipated.

Total expenditures were more 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 instruction, non-instructional programs and other expenditures functional areas and in total.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the District had invested \$1,265,249, 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 \$99,991.

The original cost of the District's capital assets was \$4,070,690. Governmental funds account for \$3,979,720 with the remainder of \$90,970 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2011, compared to \$408,151 reported at June 30, 2012. This increase was the result of HVAC work that was not completed at year end.

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,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 42,707	42,707	0	0	42,707	42,707	0.00%
Construction in progress	408,151	0	0	0	408,151	0	100.00%
Buildings	555,393	606,113	0	0	555,393	606,113	-9.13%
Land improvements	91,923	96,711	0	0	91,923	96,711	-5.21%
Machinery and equipment	120,620	96,362	46,455	50,966	167,075	147,328	11.82%
Total	\$ 1,218,794	841,893	46,455	50,966	1,265,249	892,859	41.71%

### Long-Term Debt

At June 30, 2012, the District had \$101,268 in other long-term debt outstanding. This represents a decrease of 32.86% 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 \$60,133 from the Special Revenue, Management Fund at June 30, 2012.

The District had a net OPEB liability of \$41,135 as of June 30, 2012.

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,
	2012	2011	2012	2011	2012	2011	2011-12
Early retirement	60,133	128,757	0	0	60,133	128,757	-53.30%
Net OPEB obligation	40,306	21,625	829	445	41,135	22,070	86.38%
Total	\$ 100,439	150,382	829	445	101,268	150,827	-32.86%

## 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

HAMBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,884,433	17,004	1,901,437
Receivables:			
Property tax:			
Delinquent	19,063	-	19,063
Succeeding year	1,759,670	-	1,759,670
Income surtax	53,487	-	53,487
Accounts	-	3,383	3,383
Due from other funds	69,830	433	70,263
Prepaid expenses	41,329	-	41,329
Due from other governments	552,698	-	552,698
Inventories	-	2,954	2,954
Capital assets, net of accumulated depreciation	1,218,794	46,455	1,265,249
<b>TOTAL ASSETS</b>	<b>5,599,304</b>	<b>70,229</b>	<b>5,669,533</b>
<b>LIABILITIES</b>			
Due to other funds	433	69,830	70,263
Accounts payable	698,704	-	698,704
Salaries and benefits payable	255,862	4,491	260,353
Deferred revenue:			
Succeeding year property tax	1,759,670	-	1,759,670
Other	525	-	525
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	58,313	-	58,313
Portion due after one year:			
Early retirement payable	1,820	-	1,820
Net OPEB Liability	40,306	829	41,135
<b>TOTAL LIABILITIES</b>	<b>2,815,633</b>	<b>75,150</b>	<b>2,890,783</b>
<b>NET ASSETS</b>			
Invested in capital assets	1,218,794	46,455	1,265,249
Restricted for:			
Categorical funding	204,068	-	204,068
Student activities	25,221	-	25,221
School infrastructure	711,225	-	711,225
Physical plant and equipment	192,030	-	192,030
Unassigned	432,333	(51,376)	380,957
<b>TOTAL NET ASSETS</b>	<b>\$ 2,783,671</b>	<b>(4,921)</b>	<b>2,778,750</b>

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 1,853,610	806,981	37,338	-	(1,009,291)	-	(1,009,291)
Special	502,638	66,392	14,144	-	(422,102)	-	(422,102)
Other	226,924	31,938	116,703	-	(78,283)	-	(78,283)
	<u>2,583,172</u>	<u>905,311</u>	<u>168,185</u>	<u>-</u>	<u>(1,509,676)</u>	<u>-</u>	<u>(1,509,676)</u>
Support services:							
Student	61,498	-	-	-	(61,498)	-	(61,498)
Instructional staff	42,238	-	3,900	-	(38,338)	-	(38,338)
Administration	431,402	-	-	-	(431,402)	-	(431,402)
Operation and maintenance of plant	283,565	-	-	-	(283,565)	-	(283,565)
Transportation	189,441	-	-	-	(189,441)	-	(189,441)
	<u>1,008,144</u>	<u>-</u>	<u>3,900</u>	<u>-</u>	<u>(1,004,244)</u>	<u>-</u>	<u>(1,004,244)</u>
Other expenditures:							
AEA flowthrough	100,642	-	100,642	-	-	-	-
Depreciation(unallocated)*	58,604	-	-	-	(58,604)	-	(58,604)
	<u>159,246</u>	<u>-</u>	<u>100,642</u>	<u>-</u>	<u>(58,604)</u>	<u>-</u>	<u>(58,604)</u>
Total governmental activities	<u>3,750,562</u>	<u>905,311</u>	<u>272,727</u>	<u>-</u>	<u>(2,572,524)</u>	<u>-</u>	<u>(2,572,524)</u>
Business Type activities:							
Non-instructional programs:							
Nutrition services	155,484	54,405	93,401	3,249	-	(4,429)	(4,429)
Total business type activities	<u>155,484</u>	<u>54,405</u>	<u>93,401</u>	<u>3,249</u>	<u>-</u>	<u>(4,429)</u>	<u>(4,429)</u>
Total	<u>\$ 3,906,046</u>	<u>959,716</u>	<u>366,128</u>	<u>3,249</u>	<u>(2,572,524)</u>	<u>(4,429)</u>	<u>(2,576,953)</u>
<b>General Revenues and transfers:</b>							
General revenues:							
Property tax levied for:							
General purposes					\$ 1,539,871	-	1,539,871
Capital outlay					37,391	-	37,391
Income surtax					60,592	-	60,592
Statewide sales, services and use tax					153,777	-	153,777
Nonspecific program federal funding					845	-	845
Unrestricted state grants					1,289,164	-	1,289,164
Unrestricted investment earnings					487	73	560
Other					10,314	1,509	11,823
Total general revenues and transfers					<u>3,092,441</u>	<u>1,582</u>	<u>3,094,023</u>
Changes in net assets					519,917	(2,847)	517,070
Net assets beginning of year					<u>2,263,754</u>	<u>(2,074)</u>	<u>2,261,680</u>
Net assets end of year					<u>\$ 2,783,671</u>	<u>(4,921)</u>	<u>2,778,750</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 872,279	997,202	14,739	1,884,220
Receivables:				
Property tax:				
Delinquent	18,059	395	609	19,063
Succeeding year	1,620,120	39,550	100,000	1,759,670
Income surtax	53,487	-	-	53,487
Due from other funds	107,840	359	-	108,199
Prepaid expenses	-	-	41,329	41,329
Due from other governments	515,347	37,351	-	552,698
<b>TOTAL ASSETS</b>	<b>\$ 3,187,132</b>	<b>1,074,857</b>	<b>156,677</b>	<b>4,418,666</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ 792	1,068	36,942	38,802
Accounts payable	567,720	130,984	-	698,704
Salaries and benefits payable	255,862	-	-	255,862
Deferred revenue:				
Succeeding year property tax	1,620,120	39,550	100,000	1,759,670
Income surtax	53,487	-	-	53,487
Other	525	-	-	525
<b>Total liabilities</b>	<b>2,498,506</b>	<b>171,602</b>	<b>136,942</b>	<b>2,807,050</b>
Fund balances:				
Restricted for:				
Categorical funding	204,068	-	-	204,068
Management levy purposes	-	-	33,478	33,478
Student activities	-	-	25,221	25,221
School infrastructure	-	711,225	-	711,225
Physical plant and equipment	-	192,030	-	192,030
Unassigned:				
General	484,558	-	-	484,558
Student activities	-	-	(38,964)	(38,964)
<b>Total fund balances</b>	<b>688,626</b>	<b>903,255</b>	<b>19,735</b>	<b>1,611,616</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,187,132</b>	<b>1,074,857</b>	<b>156,677</b>	<b>4,418,666</b>

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2012

<b>Total fund balances of governmental funds(page 20)</b>	\$ 1,611,616
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,218,794
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	213
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	53,487
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.	(100,439)
<b>Net assets of governmental activities(page 18)</b>	<u><u>\$ 2,783,671</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,550,365	191,168	50,264	1,791,797
Tuition	868,674	-	-	868,674
Other	22,846	256	31,436	54,538
State sources	1,465,084	-	-	1,465,084
Federal sources	90,552	-	-	90,552
Total revenues	<u>3,997,521</u>	<u>191,424</u>	<u>81,700</u>	<u>4,270,645</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	1,837,420	-	68,951	1,906,371
Special	499,816	-	-	499,816
Other	196,991	-	24,694	221,685
	<u>2,534,227</u>	<u>-</u>	<u>93,645</u>	<u>2,627,872</u>
Support services:				
Student	61,491	-	-	61,491
Instructional staff	39,343	2,740	-	42,083
Administration services	426,384	-	1,532	427,916
Operation and maintenance of plant	199,480	114,587	34,297	348,364
Transportation	164,920	59,544	160	224,624
	<u>891,618</u>	<u>176,871</u>	<u>35,989</u>	<u>1,104,478</u>
Capital outlay	-	346,834	-	346,834
Other expenditures:				
AEA flowthrough	100,642	-	-	100,642
Total expenditures	<u>3,526,487</u>	<u>523,705</u>	<u>129,634</u>	<u>4,179,826</u>
Excess(Deficiency)of revenues over(under) expenditures	471,034	(332,281)	(47,934)	90,819
<b>OTHER FINANCING SOURCES:</b>				
Sale of capital assets	2,207	-	-	2,207
Net change in fund balances	473,241	(332,281)	(47,934)	93,026
Fund balance beginning of year	215,385	1,235,536	67,669	1,518,590
Fund balance end of year	<u>\$ 688,626</u>	<u>903,255</u>	<u>19,735</u>	<u>1,611,616</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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, 2012

Net change in fund balances - total governmental funds(page 22) \$ 93,026

**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	\$ 470,791	
Depreciation expense	<u>(93,890)</u>	376,901

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (166)

Net change in Internal Service Fund charged back against expenditures made for flexible spending benefits at an entity-wide basis. 213

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	(18,681)	
Early retirement payable	<u>68,624</u>	<u>49,943</u>

Changes in net assets of governmental activities(page 19) \$ 519,917

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

	Business	
	Type Activities- Enterprise Fund School Nutrition	Governmental Activities- Internal Service Fund
ASSETS		
Cash and cash equivalents	\$ 17,004	213
Accounts receivable	3,383	-
Due from other funds	433	-
Inventories	2,954	-
Capital assets, net of accumulated depreciation	46,455	-
TOTAL ASSETS	<u>70,229</u>	<u>213</u>
LIABILITIES		
Due to other funds	69,830	-
Salaries and benefits payable	4,491	-
OPEB liability	829	-
TOTAL LIABILITIES	<u>75,150</u>	<u>-</u>
NET ASSETS		
Invested in capital assets	46,455	-
Unrestricted	(51,376)	213
TOTAL NET ASSETS	<u>\$ (4,921)</u>	<u>213</u>

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012

	Business Type Activities- Enterprise Fund School Nutrition	Governmental Activities- Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 54,405	-
Miscellaneous	1,509	2,162
TOTAL OPERATING REVENUES	<u>55,914</u>	<u>2,162</u>
OPERATING EXPENSES:		
Non-instructional programs:		
Food service operations:		
Salaries	64,071	-
Benefits	9,848	1,949
Services	550	-
Supplies	73,030	-
Depreciation	6,101	-
Other	225	-
Total operating expenses	<u>153,825</u>	<u>1,949</u>
OPERATING INCOME(LOSS)	<u>(97,911)</u>	<u>213</u>
NON-OPERATING REVENUES(EXPENSES):		
State sources	1,443	-
Federal sources	91,958	-
Interest income	73	-
Loss on disposal of assets	(1,659)	-
TOTAL NON-OPERATING REVENUES(EXPENSES)	<u>91,815</u>	<u>-</u>
Change in net assets before other financing sources	(6,096)	213
Other financing sources:		
Capital contributions	<u>3,249</u>	<u>-</u>
Change in net assets	(2,847)	213
Net assets beginning of year	<u>(2,074)</u>	<u>-</u>
Net assets end of year	<u>\$ (4,921)</u>	<u>213</u>

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012

	Business Type Activities- Enterprise Fund School Nutrition	Governmental Activities- Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 55,927	-
Cash received from miscellaneous sources	1,509	2,162
Cash payments to employees for services	(69,044)	(1,949)
Cash payments to suppliers for goods or services	(71,202)	-
Net cash provided by(used in) operating activities	(82,810)	213
Cash flows from non-capital financing activities:		
Borrowings from the General Fund	6,825	-
State grants received	1,443	-
Federal grants received	86,401	-
Net cash provided by non-capital financing activities	94,669	-
Cash flows from investing activities:		
Interest on investments	73	-
Net increase in cash and cash equivalents	11,932	213
Cash and cash equivalents at beginning of year	5,072	-
Cash and cash equivalents at end of year	\$ 17,004	213
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (97,911)	213
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	5,557	-
Depreciation	6,101	-
Increase in inventories	(2,954)	-
Decrease in accounts receivable	1,522	-
Increase in salaries and benefits payable	4,491	-
Increase in OPEB liability	384	-
Net cash provided by(used in) operating activities	\$ (82,810)	213

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$5,557.

During the year ended June 30, 2012, the District received contributed capital of \$3,249 from the Capital Projects: Statewide Sales and Services Use Tax Fund

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2012

	Private Purpose Trust Scholarship
<b>Assets</b>	
Cash and pooled investments	\$ 38,700
<b>Liabilities</b>	-
<b>Net Assets</b>	
Restricted for scholarships	39,548
Unrestricted	(848)
Total	\$ 38,700

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2012

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ADDITIONS:	
Local sources:	
Gifts and contributions	\$          100
Interest income	4
TOTAL ADDITIONS	<u>          104</u>
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	<u>          3,500</u>
Change in net assets	(3,396)
Net assets beginning of year	<u>          42,096</u>
Net assets end of year	<u><u>          \$      38,700</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(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 nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's Flex-Benefits plan.

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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.

<u>Asset Class</u>	<u>Amount</u>
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:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
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, 2012, expenditures in the instruction, non-instructional programs and other expenditures functional areas exceeded the amounts budgeted. The District also exceeded the budget in total.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2012 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, 2012 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$984,861 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard & Poor's Financial Services.

**(3) Due from and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	School Nutrition	\$ 69,830
School Nutrition	General Fund	433
Capital Projects, PPEL Fund	General Fund	359
General Fund	Capital Projects, PPEL Fund	1,068
General Fund	Special Revenue, Management	8,460
General Fund	Special Revenue, Student Activity	28,482
		<u>\$ 108,632</u>

**(4) Education Cash Flow Fund(ECF)**

The District participates in the Education Cash Flow Fund(ECF). ECF is a program of the Iowa School Finance Information Services & Piper Jaffray Co. and is designed to provide funds to participating entities during periods of cash deficits. ECF is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ECF accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Security Bank of Kansas City is the trustee for the program.

The District pledged its grant receipts and ad valorem property tax receipts as security for warrants issued. Repayments must be made by the final maturity date. The interest rate on the warrants was 1.50%. A summary of the District's ECF activity for the year ended June 30, 2012 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2011-12A A-1	\$ -	120,000	120,000	-
2011-12A A-2	-	150,000	150,000	-
	<u>\$ -</u>	<u>270,000</u>	<u>270,000</u>	<u>-</u>

During the year ended June 30, 2012 the District paid \$2,445 of interest on the ECF warrants.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2012 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
Construction in progress	-	408,151	-	408,151
Total capital assets not being depreciated	<u>42,707</u>	<u>408,151</u>	<u>-</u>	<u>450,858</u>
Capital assets being depreciated:				
Buildings	2,100,979	-	-	2,100,979
Land improvements	304,708	3,096	-	307,804
Machinery and equipment	1,060,535	59,544	-	1,120,079
Total capital assets being depreciated	<u>3,466,222</u>	<u>62,640</u>	<u>-</u>	<u>3,528,862</u>
Less accumulated depreciation for:				
Buildings	1,494,866	50,720	-	1,545,586
Land improvements	207,997	7,884	-	215,881
Machinery and equipment	964,173	35,286	-	999,459
Total accumulated depreciation	<u>2,667,036</u>	<u>93,890</u>	<u>-</u>	<u>2,760,926</u>
Total capital assets being depreciated, net	<u>799,186</u>	<u>(31,250)</u>	<u>-</u>	<u>767,936</u>
Governmental activities capital assets, net	<u>\$ 841,893</u>	<u>376,901</u>	<u>-</u>	<u>1,218,794</u>
Business type activities:				
Machinery and equipment	\$ 91,053	3,249	3,332	90,970
Less accumulated depreciation	40,087	6,101	1,673	44,515
Business type activities capital assets, net	<u>\$ 50,966</u>	<u>(2,852)</u>	<u>1,659</u>	<u>46,455</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 6,228
Special		727
Other		2,750
Support services:		
Administration		302
Operation and maintenance of plant		975
Transportation		24,304
		35,286
Unallocated depreciation		58,604
		\$ 93,890
Business type activities:		
Food services		\$ 6,101

**(6) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Early Retirement	\$ 128,757	-	68,624	60,133	58,313
Net OPEB liability	21,625	18,681	-	40,306	-
Total	\$ 150,382	18,681	68,624	100,439	58,313
Business Type activities:					
Net OPEB liability	\$ 445	384	-	829	-

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, 2012, totaled \$68,624.

**(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 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$115,119, \$109,327, and \$114,611 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 District's OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 22,814
Interest on net OPEB obligation	552
Adjustment to annual required contribution	(1,770)
Annual OPEB cost	<u>21,596</u>
Contributions made	(2,531)
Increase in net OPEB obligation	<u>19,065</u>
Net OPEB obligation beginning of year	<u>22,070</u>
Net OPEB obligation end of year	<u><u>\$ 41,135</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

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, 2012 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
2012	21,596	11.72%	41,135

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$157,905, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$157,905. The covered payroll (annual payroll of active employees covered by the plan) was \$922,195, and the ratio of the UAAL to covered payroll was 17.12%. As of June 30, 2012 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, 2012 were \$222,080.

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 \$100,642 for the year ended June 30, 2012 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 had eight accounts with a combined deficit unassigned fund balance of \$38,964 and deficit unrestricted assets of \$13,743 in the Special Revenue: Student Activity Fund. The District had deficit unrestricted net assets of \$51,376 in the Enterprise, School Nutrition Fund. In addition the District had deficit unrestricted assets of \$848 in the Private Purpose Trust.

**(12) Categorical Funding**

The District's ending restricted balances for categorical funding for the year ended June 30, 2012 are comprised of the following projects:

Project	Amount
Dropout and Dropout Prevention	\$ 123,811
Limited English Proficiency Weighting	6,626
Beginning Teacher Mentoring	248
Market Factor Incentives	2,384
Core Curriculum	3,828
Market Factor	566
Statewide Voluntary Preschool	29,297
Professional Development	10,852
Market Factor Grants	22,931
Home School Assistance Program (HSAP)	3,525
Total	<u>\$ 204,068</u>

**(13) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2012, the District exceeded its budgeted amounts in the instruction, non-instructional and other expenditures functions and the budget in total.

**(14) Construction Commitment**

The District has entered into contracts for HVAC replacement. As of June 30, 2012, costs of \$394,870 had been incurred against the contracts. The balance remaining on these contracts at June 30, 2012 will be paid as work on the project progresses and will be capitalized upon completion.

Hamburg Community School District

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, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 2,715,009	55,987	2,770,996	2,089,051	2,089,051	681,945
State sources	1,465,084	1,443	1,466,527	1,763,348	1,763,348	(296,821)
Federal sources	90,552	91,958	182,510	338,826	338,826	(156,316)
Total revenues	4,270,645	149,388	4,420,033	4,191,225	4,191,225	228,808
Expenditures/Expenses:						
Instruction	2,627,872	-	2,627,872	2,450,500	2,450,500	(177,372)
Support services	1,104,478	-	1,104,478	1,176,000	1,176,000	71,522
Non-instructional programs	-	155,484	155,484	145,000	145,000	(10,484)
Other expenditures	447,476	-	447,476	313,974	313,974	(133,502)
Total expenditures/expenses	4,179,826	155,484	4,335,310	4,085,474	4,085,474	(249,836)
Excess(deficiency)of revenues over(under)expenditures/expenses	90,819	(6,096)	84,723	105,751	105,751	(21,028)
Other financing sources, net	2,207	3,249	5,456	-	-	5,456
Excess(deficiency)of revenues and other financing sources over(under)expenditures/expenses	93,026	(2,847)	90,179	105,751	105,751	(15,572)
Balance beginning of year	1,518,590	(2,074)	1,516,516	1,587,043	1,587,043	(70,527)
Balance end of year	\$ 1,611,616	(4,921)	1,606,695	1,692,794	1,692,794	(86,099)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2012

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, 2012, expenditures in the instruction, non-instructional programs and other expenditures functional areas exceeded the amounts budgeted and the budget in total.

HAMBURG COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 200,031	\$ 200,031	0.00%	\$ 1,767,181	11.32%
2011	July 1, 2009	-	185,940	185,940	0.00%	1,425,726	13.04%
2012	July 1, 2009	-	157,905	157,905	0.00%	922,195	17.12%

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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

HAMBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ -	14,739	14,739
Receivables:			
Property tax:			
Delinquent	609	-	609
Succeeding year	100,000	-	100,000
Prepaid expenses	41,329	-	41,329
<b>Total assets</b>	<b>\$ 141,938</b>	<b>14,739</b>	<b>156,677</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Due to other funds	\$ 8,460	28,482	36,942
Deferred revenue:			
Succeeding year property tax	100,000	-	100,000
<b>Total liabilities</b>	<b>108,460</b>	<b>28,482</b>	<b>136,942</b>
<b>Fund balances:</b>			
<b>Restricted for:</b>			
Management levy purposes	33,478	-	33,478
Student activities	-	25,221	25,221
<b>Unassigned:</b>			
Student activities	-	(38,964)	(38,964)
<b>Total fund balances</b>	<b>33,478</b>	<b>(13,743)</b>	<b>19,735</b>
<b>Total liabilities and fund balances</b>	<b>\$ 141,938</b>	<b>14,739</b>	<b>156,677</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 50,264	-	50,264
Other	114	31,322	31,436
TOTAL REVENUES	50,378	31,322	81,700
EXPENDITURES:			
Current:			
Instruction:			
Regular	68,951	-	68,951
Other	-	24,694	24,694
Support services:			
Administration	1,532	-	1,532
Operation and maintenance of plant	34,243	54	34,297
Transportation	160	-	160
TOTAL EXPENDITURES	104,886	24,748	129,634
Net change in fund balances	(54,508)	6,574	(47,934)
Fund balance beginning of the year	87,986	(20,317)	67,669
Fund balance end of the year	\$ 33,478	(13,743)	19,735

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 804,858	192,344	997,202
Receivables:			
Property tax:			
Delinquent	-	395	395
Succeeding year	-	39,550	39,550
Due from other funds	-	359	359
Due from other governments	37,351	-	37,351
<b>Total assets</b>	<b>\$ 842,209</b>	<b>232,648</b>	<b>1,074,857</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Due to other funds	\$ -	1,068	1,068
Accounts payable	130,984	-	130,984
Deferred revenue:			
Succeeding year property tax	-	39,550	39,550
<b>Total liabilities</b>	<b>130,984</b>	<b>40,618</b>	<b>171,602</b>
<b>Fund balances:</b>			
<b>Restricted for:</b>			
School infrastructure	711,225	-	711,225
Physical plant and equipment	-	192,030	192,030
<b>Total fund balances</b>	<b>711,225</b>	<b>192,030</b>	<b>903,255</b>
<b>Total liabilities and fund balances</b>	<b>\$ 842,209</b>	<b>232,648</b>	<b>1,074,857</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNT  
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 153,777	37,391	191,168
Other	185	71	256
TOTAL REVENUES	153,962	37,462	191,424
EXPENDITURES:			
Current:			
Support services:			
Instructional	2,740	-	2,740
Operation and maintenance of plant	107,524	7,063	114,587
Transportation	-	59,544	59,544
Capital outlay	335,949	10,885	346,834
TOTAL EXPENDITURES	446,213	77,492	523,705
Net change in fund balances	(292,251)	(40,030)	(332,281)
Fund balance beginning of the year	1,003,476	232,060	1,235,536
Fund balance end of the year	\$ 711,225	192,030	903,255

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Interest	\$ 950	-	-	-	950
Drama	3,114	1,972	36	-	5,050
Chorus	(2,850)	-	-	2,850	-
Band	(1,537)	315	100	-	(1,322)
HS Athletics	(22,877)	442	543	-	(22,978)
HS Athletics Resale	(2,881)	-	-	-	(2,881)
JH Athletics	(5,755)	1,301	290	-	(4,744)
HS Cheerleading	1,875	-	1,875	-	-
JH Cheerleading	629	-	-	(629)	-
Art	68	-	-	(68)	-
Class of 2002	205	-	-	(205)	-
Class of 2003	(6,129)	-	-	19	(6,110)
Class of 2007	700	-	-	(700)	-
Class of 2008	571	-	-	(571)	-
Class of 2009	80	-	-	(80)	-
Class of 2010	1,221	-	-	(1,221)	-
Class of 2011	671	-	14	(657)	-
Class of 2012	5,248	-	5,248	-	-
Class of 2013	984	-	984	-	-
Class of 2014	171	-	171	-	-
Student Council	(1,261)	-	345	1,262	(344)
Key Club	375	-	1	-	374
Yearbook	1,033	225	1,791	-	(533)
MS Field Trip Fund	-	14,080	3,899	-	10,181
Scholastics Book Fair	-	457	457	-	-
Elementary Activity	4,992	787	703	-	5,076
Elementary Music Activity	42	-	94	-	(52)
Elementary Field Trip Fund	-	11,698	8,197	-	3,501
Elementary Yearbook	44	45	-	-	89
<b>Total</b>	<b>\$ (20,317)</b>	<b>31,322</b>	<b>24,748</b>	<b>-</b>	<b>(13,743)</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund							Total
	Class of							
	Boldra Scholarship	1953 Scholarship	Activities Scholarship	Other Scholarship	Rice Scholarship	Hensleigh Scholarship	Pepsi Scholarship	
<b>ASSETS</b>								
Cash and pooled investments	\$ (848)	650	350	100	15,613	22,833	2	38,700
<b>LIABILITIES</b>								
	-	-	-	-	-	-	-	-
<b>NET ASSETS</b>								
Unrestricted	(848)	-	-	-	-	-	-	(848)
Restricted for scholarships	-	650	350	100	15,613	22,833	2	39,548
Total net assets	\$ (848)	650	350	100	15,613	22,833	2	38,700

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund							Total
	Class of Boldra Scholarship	1953 Scholarship	Activities Scholarship	Other Scholarship	Rice Scholarship	Hensleigh Scholarship	Pepsi Scholarship	
ADDITIONS:								
Local sources:								
Gifts and contributions	\$ -	100	-	-	-	-	-	100
Interest income	3	-	-	-	1	-	-	4
Total additions	3	100	-	-	1	-	-	104
DEDUCTIONS:								
Instruction:								
Regular:								
Scholarships awarded	-	-	-	-	1,500	2,000	-	3,500
Changes in net assets	3	100	-	-	(1,499)	(2,000)	-	(3,396)
Net assets beginning of year	(851)	550	350	100	17,112	24,833	2	42,096
Net assets end of year	\$ (848)	650	350	100	15,613	22,833	2	38,700

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 1,791,797	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	868,674	222,692	72,521	91,603	107,798	75,449	75,210	85,975	61,534
Other	54,538	89,319	107,321	139,138	131,701	144,440	140,650	237,461	141,160
Intermediate sources	-	-	1,000	-	-	-	-	-	-
State sources	1,465,084	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	90,552	220,634	381,682	131,789	146,812	150,327	99,339	244,371	194,325
Total	\$ 4,270,645	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	\$ 1,906,371	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	499,816	375,373	461,602	366,222	402,759	303,217	329,945	423,240	341,609
Other	221,685	249,148	365,869	271,120	274,313	326,518	335,126	251,490	162,934
Support services:									
Student	61,491	74,705	57,249	25,768	68,177	58,196	80,629	85,886	93,353
Instructional staff	42,083	42,212	77,027	76,388	94,482	81,216	47,723	42,790	40,715
Administration	427,916	465,268	561,185	402,493	488,458	444,707	440,965	416,633	404,342
Operation and maintenance of plant	348,364	232,220	324,099	274,327	298,480	306,839	282,213	335,478	236,005
Transportation	224,624	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
Capital outlay	346,834	94,780	140,189	53,993	47,296	40,092	100,016	259,022	422,899
Other expenditures:									
AEA flow-through	100,642	113,373	116,397	103,853	101,979	96,137	91,789	91,840	94,675
Total	\$ 4,179,826	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

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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**Telephone (641) 792-1910**

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

To the Board of Education of the  
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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2013. 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

The management of Hamburg Community School District is responsible for establishing and maintaining effective 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-12 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-12 through I-D-12 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, 2012 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, P.C.

March 25, 2013

HAMBURG COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 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 writing of receipts and preparation of deposit tickets were being performed by the same person. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person. In the Fiscal Department, reconciliations and correcting journal entries, when needed, are performed by the same person. We also noted that one individual has the ability to modify pay rates, process the payroll and generate payroll checks and direct deposits.

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-12 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-C-12 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-D-12 Student Activity Class Account - We noted during our audit that the District has a Class of 2003 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.

#### OTHER MATTERS:

- I-E-12 Commodity Pricing - We noted during our audit that the processed commodities were priced at an incorrect amount. They should have been priced at the value with transportation and storage, not value per unit. We also noted an instance of an incorrect extension in valuing inventory.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation. The District needs to use the correct price values in calculating the inventory value at year end.

Response - The child nutrition Supervisor will be informed of the correct values to be used.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - Expenditures for the year ended June 30, 2012 exceeded the certified budget amounts in the instruction, non-instructional and other expenditures program functions and the budget in total.

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-12 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Susan Harris Board member	Assistant High School Volleyball Coach	\$ 1,335

In accordance with Chapter 279.7A of the Code of Iowa, the transaction with the Board Member Susan Harris does not appear to represent a conflict of interest.

II-E-12 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-12 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. In addition board minutes should list all bids received and the amount of each bid, when a project is bid.

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-12 Certified Enrollment - No variance regarding the enrollment certified to the Iowa Department of Education were noted.
- II-H-12 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 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-12 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-12 Categorical Funding -No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-12 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, 2012, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit:

Beginning Balance		\$ 1,003,476
Revenues:		
Sales Tax Revenues	\$ 153,777	
Other local revenues	185	153,962
	<u>          </u>	<u>1,157,438</u>
Expenditures		
School infrastructure construction	\$ 335,949	
Equipment	107,524	
Other	2,740	446,213
	<u>          </u>	<u>          </u>
Ending Balance		<u><u>\$ 711,225</u></u>

For the year ended June 30, 2012 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-12 Financial Condition - The District had 8 accounts with a combined deficit unassigned fund balance of \$38,964 and deficit unrestricted net assets of \$13,743 in the Student Activity Fund. The District had a deficit unrestricted net assets in the Nutrition Fund of \$51,376. The District had a deficit unrestricted fund balance of \$848 in the Private Purpose Trust.

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-12 Nutrition Supplies - We noted Nutrition Fund nonfood items are not broken out on invoices and coded to nonfood supplies.

Recommendation - The District should review procedures in place to ensure expenses are properly coded to enable financial statements to accurately reflect the District's operations.

Response - This has been corrected and will be charged to the appropriate accounts.

Conclusion - Response accepted.

II-O-12 Book Fair - We noted an account called Book Fair in the Student Activity Fund that appears to be administratively maintained. This account does not appear to be cocurricular in nature.

Recommendation - It would appear this account is more administratively maintained in nature, rather than by a club or organization. Therefore it would be more appropriate in a different fund.

Response - Book Fair sales will be included in the General Fund for use in the Media Center purchases.

Conclusion - Response accepted.

II-P-12 Scholarship Checks - We noted that scholarship checks written from the scholarship fund were made out to the student only.

Recommendation - Scholarship checks should be written to the School the student is attending and the student. A scholarship is tax free if you are a degree candidate and the award is used to pay for tuition and required fees, books, supplies and equipment. Any amounts used to pay for room and board and a stipend for living expenses is taxable. By issuing the check to the college or university the District can ensure that the scholarships are properly reported on the student's 1098T. If the District wishes to not make the checks payable to the school and the student, the District should issue a W-2 for the scholarship amount. The scholarship amount is subject to federal withholding but not Social Security or Medicare withholdings.

Response - These scholarships were given with direction to be sent to the student after proof of attendance, grades and enrollment requirements have been meet.

Conclusion - Response acknowledged.

II-Q-12 Capital Projects - We noted purchase of blinds from the Capital Projects Fund. This is not an appropriate purchase for the Capital Projects Fund, unless it was in the course of new construction or remodeling.

Recommendation - The District should evaluate the appropriateness of these types of purchases from the Capital Projects Fund. We did note other purchases in the General Fund that would be more appropriate to the Capital Projects Fund, so we are not requesting a corrective transfer.

Response - Closer monitoring of expenditures will be done for Capital Projects expenses.

Conclusion - Response accepted.

II-R-12 Retention of Supporting Documentation - Chapter 291.6 of the Code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. During our audit, the District was unable to locate proof of publication for the fiscal 2012 budget.

Recommendation - The District Secretary should be required by the Board of Directors of the District to preserve all copies of pertinent paperwork and invoices for the District to be in compliance with 291.6 of the Code of Iowa.

Response - Proof of Publication for all pertinent paper work will be maintained.

Conclusion - Response accepted.

II-S-12 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2012, the General Fund owed the Capital Projects: Physical Plant and Equipment Levy Fund \$359 and owed the Nutrition Fund \$433. The Special Revenue: Student Activity Fund owed the General Fund \$28,482. The Capital Projects: Physical Plant and Equipment Levy owed the General Fund \$1,068. The Nutrition Fund owed the General Fund \$69,830. The Special Revenue: Management Levy Fund owed the General Fund \$8,460.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's yearend financial statements must be repaid to their respective funds on or before October 1<sup>st</sup> of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek outside funding to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - It appears the District should seek outside funding to comply with the declaratory ruling in order to repay the interfund loan the Nutrition Fund borrowed from the General Fund. It appears that the District has adequate funding to repay the other interfund loans.

Response - These inter-fund loans will be repaid before year end.

Conclusion - Response accepted.