

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012**

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Introductory Section



Board of Education and School District Officials

As of June 30, 2012

Name	Title	Term Expires
Board of Education (Before September, 2011 Election)		
Ronald Raney	President	2011
Stacy Miller	Vice President	2011
Thomas Broksma	Board Member	2013
Jennifer Hansen	Board Member	2013
Chad Hanson	Board Member	2013
Scott Sackville	Board Member	2011
Kristin Wragge	Board Member	2011
(After September, 2011 Election)		
Ronald Raney	President	2015
Stacy Miller	Vice President	2015
Thomas Broksma	Board Member	2013
Jennifer Hansen	Board Member	2013
Chad Hanson	Board Member	2013
Erran Miller	Board Member	2015
Kristin Wragge	Board Member	2015
School Officials		
Todd Lettow	Superintendent	Indefinite
Lisa Lewis	District Secretary/Treasurer	Indefinite

Financial Section

Independent Auditor's Report

Board of Education
Hampton-Dumont Community School District
Hampton, Iowa

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 Hampton-Dumont Community School District, Hampton, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and each major fund of Hampton-Dumont Community School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2013 on our consideration of Hampton-Dumont Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, the budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 4 through 13 and 40 and 41 are not required parts of the basic financial statements, but are supplementary information 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 to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 Hampton-Dumont Community School District's basic financial statements. The financial statements for the eight years ended June 30, 2011 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the second paragraph of this report who expressed unqualified opinions on those financial statements. The supplementary information included on pages 42 through 49, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, 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 relates 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
March 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hampton-Dumont 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.

FINANCIAL HIGHLIGHTS

- General Fund revenue increased from \$12,199,524 in fiscal 2011 to \$13,102,786 in fiscal 2012, and General Fund expenditures increased from \$11,854,416 in fiscal 2011 to \$12,136,314 in fiscal 2012. This resulted in an increase in the General Fund balance from \$782,587 in fiscal 2011 to \$1,749,059 in fiscal 2012, a 123.5% increase.
- The fiscal 2012 increase in General Fund revenue of \$903,262 was attributable to increases in open enrollment received, Medicaid funding and foundation aid.

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 Hampton-Dumont 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 Hampton-Dumont 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 Hampton-Dumont Community School District acts solely as an agent or custodian for the benefit of those outside the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

Supplementary Information provides detailed information about the nonmajor governmental. In addition, the schedule of expenditures of federal awards provides details of various programs benefiting the District.

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

FIGURE A-1

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT**

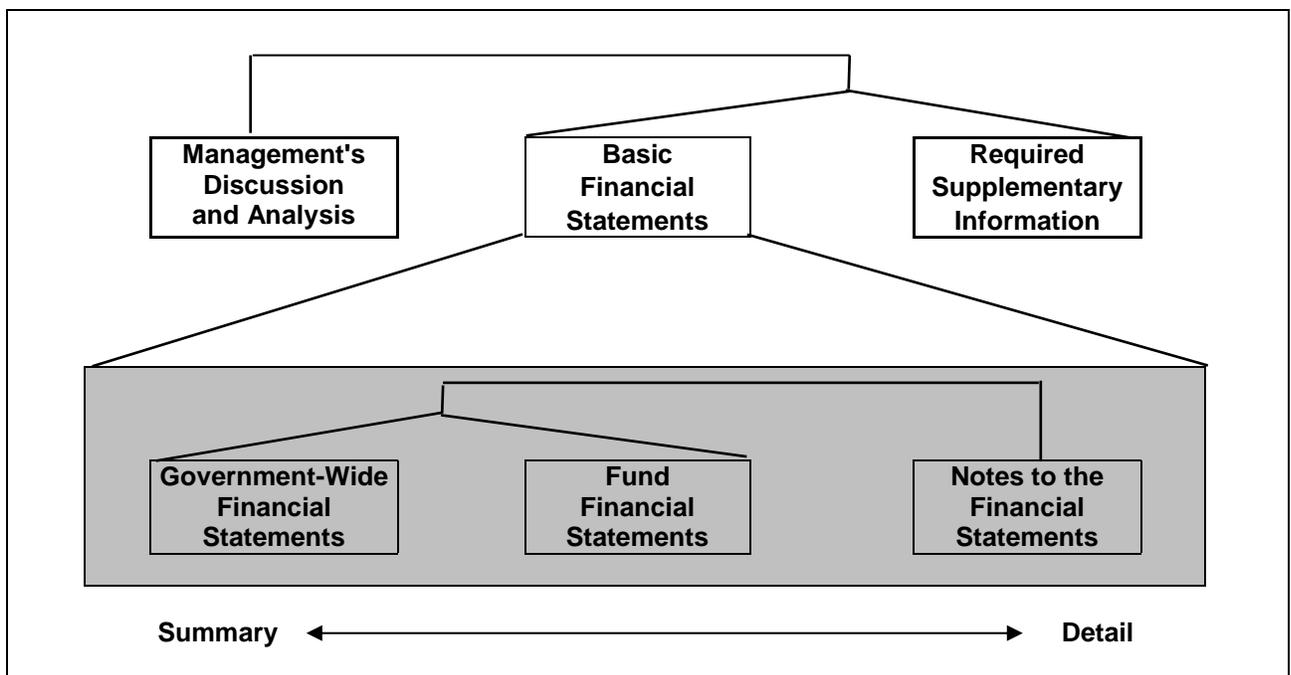


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, such as food services and internal services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statements of revenue, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenue, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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 revenue 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 revenue 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 financial 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 nonfinancial 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 or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for various student activity funds or to show it is properly using certain revenue, such as federal grants.

The District has three kinds of funds:

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

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

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

- *Proprietary Funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District also has an Internal Service Fund which it uses to account for health insurance benefits.

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

- *Fiduciary Funds:* The District serves as the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
 - Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Funds - These are funds through which the District administers and accounts for certain revenue collected on behalf of other organizations.

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 as of June 30, 2012 compared to June 30, 2011.

**FIGURE A-3
CONDENSED STATEMENT OF NET ASSETS**

	Governmental Activities June 30,		Business- Type Activities June 30,		Total District June 30,		Percentage Change 2011-2012
	2012	2011 (As Restated)	2012	2011	2012	2011	
Current and other assets	\$ 10,981,191	\$ 13,739,692	\$ 178,114	\$ 180,551	\$ 11,159,305	\$ 13,920,243	(19.8)
Capital assets	<u>15,032,077</u>	<u>13,288,069</u>	<u>139,645</u>	<u>148,396</u>	<u>15,171,722</u>	<u>13,436,465</u>	<u>12.9</u>
Total Assets	<u>26,013,268</u>	<u>27,027,761</u>	<u>317,759</u>	<u>328,947</u>	<u>26,331,027</u>	<u>27,356,708</u>	<u>(3.7)</u>
Current liabilities	6,739,061	7,828,874	7,177	5,653	6,746,238	7,834,527	(13.9)
Long-term liabilities	<u>11,122,234</u>	<u>12,599,078</u>	<u>—</u>	<u>—</u>	<u>11,122,234</u>	<u>12,599,078</u>	<u>(11.7)</u>
Total Liabilities	<u>17,861,295</u>	<u>20,427,952</u>	<u>7,177</u>	<u>5,653</u>	<u>17,868,472</u>	<u>20,433,605</u>	<u>(12.6)</u>
Net Assets							
Invested in capital assets, net of related debt	4,702,077	1,323,069	139,645	148,396	4,841,722	1,471,465	229.0
Restricted	1,779,289	5,189,008	—	—	1,779,289	5,189,008	(65.7)
Unrestricted	<u>1,670,607</u>	<u>87,732</u>	<u>170,937</u>	<u>174,898</u>	<u>1,841,544</u>	<u>262,630</u>	<u>601.2</u>
Total Net Assets	<u>\$ 8,151,973</u>	<u>\$ 6,599,809</u>	<u>\$ 310,582</u>	<u>\$ 323,294</u>	<u>\$ 8,462,555</u>	<u>\$ 6,923,103</u>	<u>22.2</u>

The District's combined net assets increased 22.2%, or approximately \$1,539,000 from the prior year. The largest portion of the District's net assets are invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's total restricted net assets decreased by approximately \$3,410,000, or 65.7%, over the prior period. The decrease was primarily a result of capital project expenditures and early pay off of revenue bonds.

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 by approximately \$1,579,000, or 601.2%. This increase in unrestricted net assets was primarily a result of reduced spending by the District to improve their solvency ratio and improve the District's financial position.

Figure A-4 shows a summary of the District's changes in net assets for the year ended June 30, 2012 as compared to the year ended June 30, 2011.

**FIGURE A-4
CHANGES IN NET ASSETS**

	Governmental Activities		Business- Type Activities		Total District		Percentage Change 2011-2012
	2012	2011 (As Restated)	2012	2011	2012	2011	
Revenue							
Program Revenue							
Charges for services	\$ 845,737	\$ 334,293	\$ 271,197	\$ 279,122	\$ 1,116,934	\$ 613,415	82.1
Operating grants and contributions	2,677,061	2,754,706	469,858	412,075	3,146,919	3,166,781	(0.6)
General Revenue							
Property tax	5,141,686	4,815,769	—	—	5,141,686	4,815,769	6.8
Income surtax	167,675	190,331	—	—	167,675	190,331	(11.9)
Statewide sales, services and use tax	939,858	656,000	—	—	939,858	656,000	43.3
Unrestricted state grants	5,707,351	5,210,092	—	—	5,707,351	5,210,092	9.5
Unrestricted investment earnings	48,139	27,574	1,086	—	49,225	27,574	78.5
Other	91,427	168,965	—	—	91,427	168,965	(45.9)
Total Revenue	15,618,934	14,157,730	742,141	691,197	16,361,075	14,848,927	10.2
Expenses							
Instruction	9,053,341	8,531,603	—	—	9,053,341	8,531,603	6.1
Support services	3,735,856	3,548,258	—	—	3,735,856	3,548,258	5.3
Noninstructional programs	—	—	754,853	634,968	754,853	634,968	18.9
Other expenditures	1,277,573	2,103,906	—	—	1,277,573	2,103,906	(39.3)
Total Expenses	14,066,770	14,183,767	754,853	634,968	14,821,623	14,818,735	0.0
Increase (Decrease) in Net Assets	1,552,164	(26,037)	(12,712)	56,229	1,539,452	30,192	4,998.9
Net Assets - Beginning of Year	6,599,809	6,625,846	323,294	267,065	6,923,103	6,892,911	0.4
Net Assets - End of Year	\$ 8,151,973	\$ 6,599,809	\$ 310,582	\$ 323,294	\$ 8,462,555	\$ 6,923,103	22.2

In fiscal year 2012, property tax and unrestricted state grants accounted for 66.3% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 86.3% of total expenses. As shown on Figure A-4, the District as a whole experienced a 10.2% increase in revenue and a less than 0.1% increase in expenses.

Governmental Activities

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 (As Restated)	Percentage Change 2011-2012	2012	2011 (As Restated)	Percentage Change 2011-2012
Instruction	\$ 9,053,341	\$ 8,531,603	6.1	\$ 6,293,297	\$ 6,069,243	3.7
Support services	3,735,856	3,548,258	5.3	3,460,162	3,467,268	(0.2)
Other expenses	1,277,573	2,103,906	(39.3)	790,513	1,558,257	(49.3)
Total	<u>\$ 14,066,770</u>	<u>\$ 14,183,767</u>	<u>(0.8)</u>	<u>\$ 10,543,972</u>	<u>\$ 11,094,768</u>	<u>(5.0)</u>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$845,737.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,677,061.
- The net cost of governmental activities was financed with \$5,141,686 in property tax and \$5,707,351 in unrestricted state grants.

Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2012 was \$742,141, representing a 7.4% increase over the prior year, while expenses totaled \$754,853, an 18.9% increase over the prior year. The District's business-type activities include the School Nutrition Fund. Revenue from these activities was comprised of charges for services, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,518,411 below last year's ending fund balances as restated of \$5,213,554. However, the primary reason for the decrease in combined fund balances in fiscal 2012 is due to capital project expenditures and revenue bonds being paid off.

Governmental Fund Highlights

- The General Fund reported an overall increase in its fund balance of \$966,472 at the end of fiscal year 2012 to \$1,749,059. This increase was due to increases in local and federal revenue. Allowable growth of 2% or less is inadequate to afford regular salary increases as well as increased costs for other items.
- The Debt Service Fund balance decreased from \$673,656 at the end of fiscal year 2011 to \$669,826 at the end of fiscal year 2012. Revenue and expenditures varied from the prior year due to refunding bond transactions.
- The District's Capital Projects Funds report an overall decrease in its fund balance of \$2,793,501 at the end of fiscal year 2012 to \$808,188. This decrease was due to the completion of the geothermal project and pay off of revenue bonds two years early.

Proprietary Fund Highlights

The School Nutrition Fund balance decreased from \$323,294 as of June 30, 2011 to \$310,582 as of June 30, 2012, representing a decrease of 3.9%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Hampton-Dumont Community School District did not amend its budget.

The District's total revenue was \$775,307 more than total budgeted revenue, a variance of 5%.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the noninstruction functional area due to the child nutrition summer food program which came into play mid-year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2012, the District had invested \$15,171,722, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of \$1,735,257 from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$522,117.

The original cost of the District's capital assets was \$19,476,959. Governmental funds account for \$19,263,498, with the remainder of \$213,461 accounted for in the Proprietary, School Nutrition Fund.

**FIGURE A-6
CAPITAL ASSETS, NET OF DEPRECIATION**

	Governmental Activities		Business-Type Activities		Total District		Percentage Change 2011-2012
	June 30,		June 30,		June 30,		
	2012	2011	2012	2011	2012	2011	
	(As Restated)						
Land	\$ 202,500	\$ 202,500	\$ —	\$ —	\$ 202,500	\$ 202,500	0.0
Construction in progress	—	1,760,087	—	—	—	1,760,087	(100.0)
Buildings and improvements	14,452,381	10,867,064	—	—	14,452,381	10,867,064	33.0
Furniture and equipment	377,196	458,418	139,645	148,396	516,841	606,814	(14.8)
Total	<u>\$ 15,032,077</u>	<u>\$ 13,288,069</u>	<u>\$ 139,645</u>	<u>\$ 148,396</u>	<u>\$ 15,171,722</u>	<u>\$ 13,436,465</u>	<u>12.9</u>

Long-Term Debt

The District had \$5,425,000 of general obligation bonds outstanding as of June 30, 2012. This represents a decrease of 12.1% from last year. (See Figure A-7.) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District had outstanding revenue bonds of \$4,905,000 for a geothermal heating and cooling system at the high school. The District also approved a refunding trust agreement in fiscal year 2012.

**Figure A-7
Outstanding Long-Term Obligations**

	Total District		Percentage Change 2011-12
	June 30,		
	2012	2011	
General obligation bonds	\$ 5,425,000	\$ 6,170,000	(12.1)
Revenue bonds	4,905,000	5,795,000	(15.4)
Early retirement benefits	613,069	509,333	43.6
Net OPEB liability	179,165	124,745	20.4
Total	<u>\$ 11,122,234</u>	<u>\$ 12,599,078</u>	<u>(11.7)</u>

The District implemented an early retirement program over the past several years in order to reduce operating costs in the General Fund while having the least effect possible on academic programs.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District's student enrollment should be stable or growing slightly over the next few years. State funding is based on the number of students enrolled.
- Franklin County Economic Development has preliminarily announced two businesses relocating to the Hampton Industrial Park which might increase student enrollment.
- The District began offering health/dental insurance to all employees on March 1, 2013 which was an increase of over 50 employees which will increase future employee benefit costs.

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 Lisa Lewis, District Secretary/Treasurer, Hampton-Dumont Community School District, 601 - 12th Avenue, NE, Hampton, IA 50441.

Basic Financial Statements

Statement of Net Assets

As of June 30, 2012

	Governmental Activities	Business- Type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,056,536	\$ 161,119	\$ 5,217,655
Receivables			
Property Taxes			
Delinquent	61,112	—	61,112
Succeeding year	4,977,526	—	4,977,526
Due from other governments	459,638	—	459,638
Accounts	290,967	—	290,967
Unamortized bond premiums, issuance costs and refunding losses	129,945	—	129,945
Inventories and prepaid expenses	5,467	16,995	22,462
Capital assets, net of accumulated depreciation	<u>15,032,077</u>	<u>139,645</u>	<u>15,171,722</u>
Total Assets	<u>\$ 26,013,268</u>	<u>\$ 317,759</u>	<u>\$ 26,331,027</u>
Liabilities			
Accounts payable	\$ 563,477	\$ —	\$ 563,477
Salaries and benefits payable	1,072,476	7,177	1,079,653
Accrued interest payable	125,582	—	125,582
Deferred Revenue			
Succeeding year property taxes	4,977,526	—	4,977,526
Long-Term Liabilities			
Portion Due Within One Year			
General obligation bonds	380,000	—	380,000
Revenue bonds	100,000	—	100,000
Early retirement benefits	109,335	—	109,335
Portion Due After One Year			
General obligation bonds	5,045,000	—	5,045,000
Revenue bonds payable	4,805,000	—	4,805,000
Early retirement benefits	503,734	—	503,734
Net OPEB liability	<u>179,165</u>	<u>—</u>	<u>179,165</u>
Total Liabilities	<u>17,861,295</u>	<u>7,177</u>	<u>17,868,472</u>
Net Assets			
Invested in capital assets, net of related debt	4,702,077	139,645	4,841,722
Restricted for			
Categorical funding - home school assistance program	5,574	—	5,574
Debt service	674,189	—	674,189
Management levy purposes	254,866	—	254,866
Physical plant and equipment	82,536	—	82,536
School infrastructure	725,652	—	725,652
Student activities	36,472	—	36,472
Unrestricted	<u>1,670,607</u>	<u>170,937</u>	<u>1,841,544</u>
Total Net Assets	<u>8,151,973</u>	<u>310,582</u>	<u>8,462,555</u>
Total Liabilities and Net Assets	<u>\$ 26,013,268</u>	<u>\$ 317,759</u>	<u>\$ 26,331,027</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenue		Net (Expenses), Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction						
Regular	\$ 5,325,742	\$ 370,934	\$ 1,675,445	\$ (3,279,363)	\$ —	\$ (3,279,363)
Special	2,251,630	132,395	298,476	(1,820,759)	—	(1,820,759)
Other	1,475,969	247,613	35,181	(1,193,175)	—	(1,193,175)
Total Instruction	<u>9,053,341</u>	<u>750,942</u>	<u>2,009,102</u>	<u>(6,293,297)</u>	<u>—</u>	<u>(6,293,297)</u>
Support Services						
Student	388,946	—	—	(388,946)	—	(388,946)
Instructional staff	585,887	—	—	(585,887)	—	(585,887)
Administration	1,045,956	25,748	—	(1,020,208)	—	(1,020,208)
Operation and maintenance of plant	1,196,457	36,429	180,899	(979,129)	—	(979,129)
Transportation	518,610	32,618	—	(485,992)	—	(485,992)
Total Support Services ...	<u>3,735,856</u>	<u>94,795</u>	<u>180,899</u>	<u>(3,460,162)</u>	<u>—</u>	<u>(3,460,162)</u>
Other Expenditures						
Long-term debt interest	435,555	—	—	(435,555)	—	(435,555)
AEA flow through	487,060	—	487,060	—	—	—
Depreciation (unallocated)	354,958	—	—	(354,958)	—	(354,958)
Total Other Expenditures	<u>1,277,573</u>	<u>—</u>	<u>487,060</u>	<u>(790,513)</u>	<u>—</u>	<u>(790,513)</u>
Total Governmental Activities	14,066,770	845,737	2,677,061	(10,543,972)	—	(10,543,972)
Business-Type Activities						
Noninstructional Programs						
Food service operations ...	754,853	271,197	469,858	—	(13,798)	(13,798)
Total	<u>\$ 14,821,623</u>	<u>\$ 1,116,934</u>	<u>\$ 3,146,919</u>	<u>(10,543,972)</u>	<u>(13,798)</u>	<u>(10,557,770)</u>
General Revenue						
Property Taxes Levied for						
General purposes				3,859,967	—	3,859,967
Management levy				349,761	—	349,761
Debt service				618,196	—	618,196
Capital outlay				313,762	—	313,762
Income surtax				167,675	—	167,675
Statewide sales, services and use tax				939,858	—	939,858
Unrestricted state grants				5,707,351	—	5,707,351
Unrestricted investment earnings				48,139	1,086	49,225
Other				91,427	—	91,427
Total General Revenue				<u>12,096,136</u>	<u>1,086</u>	<u>12,097,222</u>
Change in Net Assets				1,552,164	(12,712)	1,539,452
Net Assets - Beginning of Year, as Restated (Note 14)						
				<u>6,599,809</u>	<u>323,294</u>	<u>6,923,103</u>
Net Assets - End of Year				<u>\$ 8,151,973</u>	<u>\$ 310,582</u>	<u>\$ 8,462,555</u>

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments....	\$ 3,051,598	\$ 665,272	\$ 442,010	\$ 335,418	\$ 4,494,298
Receivables					
Property Taxes					
Delinquent.....	45,809	7,323	3,827	4,153	61,112
Succeeding year	3,481,946	567,383	328,196	600,001	4,977,526
Due from other funds.....	—	—	84,477	8,208	92,685
Due from other governments....	152,516	—	307,122	—	459,638
Accounts.....	290,967	—	—	—	290,967
Total Assets.....	\$ 7,022,836	\$ 1,239,978	\$ 1,165,632	\$ 947,780	\$ 10,376,226
Liabilities and Fund Balances					
Liabilities					
Accounts payable.....	\$ 464,741	\$ 2,769	\$ 29,248	\$ 56,441	\$ 553,199
Salaries and benefits payable....	1,072,476	—	—	—	1,072,476
Due to other funds.....	102,098	—	—	—	102,098
Deferred Revenue					
Succeeding year property					
taxes	3,481,946	567,383	328,196	600,001	4,977,526
Other.....	152,516	—	—	—	152,516
Total Liabilities	5,273,777	570,152	357,444	656,442	6,857,815
Fund Balances					
Restricted for					
Categorical funding - home					
school assistance program	5,574	—	—	—	5,574
Debt service.....	—	669,826	—	—	669,826
Management levy purposes	—	—	—	254,866	254,866
Physical plant and equipment ..	—	—	82,536	—	82,536
School infrastructure	—	—	725,652	—	725,652
Student activities	—	—	—	36,472	36,472
Unassigned	1,743,485	—	—	—	1,743,485
Total Fund Balances	1,749,059	669,826	808,188	291,338	3,518,411
Total Liabilities and Fund Balances.....	\$ 7,022,836	\$ 1,239,978	\$ 1,165,632	\$ 947,780	\$ 10,376,226

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets

As of June 30, 2012

Total Fund Balances for Governmental Funds (Page 16)....		\$ 3,518,411
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Income surtax receivables are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.....		152,516
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.....		15,032,077
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets		566,840
Unamortized bond premiums, issuance costs and refund losses are amortized over the life of the bonds and, therefore, are not reported in the governmental funds.....		129,945
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported in the governmental funds.....		(125,582)
Long-term liabilities, including revenue bonds, general obligation bonds, early retirement benefits and other postemployment benefits are not due and payable in the current year and, therefore, are not reported in the governmental funds.		
General obligation bonds payable	\$ (5,425,000)	
Revenue bonds payable.....	(4,905,000)	
Early retirement benefits	(613,069)	
Net OPEB liability	<u>(179,165)</u>	<u>(11,122,234)</u>
 Net Assets of Governmental Activities (Page 14)		 <u>\$ 8,151,973</u>

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenue					
Local Sources					
Local taxes	\$ 4,015,506	\$ 618,197	\$ 1,253,620	\$ 349,761	\$ 6,237,084
Tuition	470,494	—	—	—	470,494
Other	475,655	5,586	23,903	252,945	758,089
Intermediate sources	9,240	—	—	—	9,240
State sources	7,141,572	—	—	—	7,141,572
Federal sources	990,319	—	—	—	990,319
Total Revenue	<u>13,102,786</u>	<u>623,783</u>	<u>1,277,523</u>	<u>602,706</u>	<u>15,606,798</u>
Expenditures					
Current					
Instruction					
Regular	5,121,634	—	—	105,430	5,227,064
Special	2,225,108	—	—	—	2,225,108
Other	1,244,119	—	—	206,002	1,450,121
Total Instruction	<u>8,590,861</u>	<u>—</u>	<u>—</u>	<u>311,432</u>	<u>8,902,293</u>
Support Services					
Student	381,698	—	—	—	381,698
Instructional staff	576,618	—	—	—	576,618
Administration	1,026,923	—	—	—	1,026,923
Operation and maintenance of plant	715,596	—	—	142,879	858,475
Transportation	357,558	—	—	12,679	370,237
Total Support Services	<u>3,058,393</u>	<u>—</u>	<u>—</u>	<u>155,558</u>	<u>3,213,951</u>
Other Expenditures					
Facilities acquisition	—	—	2,554,563	—	2,554,563
Long-Term Debt					
Principal	—	1,723,145	—	—	1,723,145
Interest and fiscal charges	—	420,929	—	—	420,929
AEA flowthrough	487,060	—	—	—	487,060
Total Other Expenditures	<u>487,060</u>	<u>2,144,074</u>	<u>2,554,563</u>	<u>—</u>	<u>5,185,697</u>
Total Expenditures	<u>12,136,314</u>	<u>2,144,074</u>	<u>2,554,563</u>	<u>466,990</u>	<u>17,301,941</u>
Revenue Over (Under) Expenditures	<u>966,472</u>	<u>(1,520,291)</u>	<u>(1,277,040)</u>	<u>135,716</u>	<u>(1,695,143)</u>
Other Financing Sources (Uses)					
General obligation refunding bonds issued	—	4,645,000	—	—	4,645,000
Premium on general obligation refunding bonds issued	—	67,031	—	—	67,031
Payment to refunded bonds escrow agent	—	(4,712,031)	—	—	(4,712,031)
Operating transfers in	—	1,516,461	—	—	1,516,461
Operating transfers out	—	—	(1,516,461)	—	(1,516,461)
Total Other Financing Sources (Uses)	<u>—</u>	<u>1,516,461</u>	<u>(1,516,461)</u>	<u>—</u>	<u>—</u>
Net Change in Fund Balances	966,472	(3,830)	(2,793,501)	135,716	(1,695,143)
Fund Balance - Beginning of Year, as Restated (Note 14)	782,587	673,656	3,601,689	155,622	5,213,554
Fund Balance - End of Year	<u>\$ 1,749,059</u>	<u>\$ 669,826</u>	<u>\$ 808,188</u>	<u>\$ 291,338</u>	<u>\$ 3,518,411</u>

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities —————

Year Ended June 30, 2012

Change in Fund Balances - Total Governmental Funds (Page 18) \$ (1,695,143)

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

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the current year are as follows:

Capital outlays.....	\$ 2,248,716	
Depreciation expense.....	<u>(504,708)</u>	1,744,008

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.....		12,136
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.....		(56,426)
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Bond premiums, issuance costs and refunding losses in the statement of activities differ from the amounts reported in the governmental funds because these items are recorded as revenue or expenditures in the governmental funds, but are amortized over the life of the bonds in the statements of activities.....		129,945
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Proceeds from issuing long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net assets. Current year issues and repayments are as follows:		
Issued.....	\$ (4,645,000)	
Repaid.....	<u>6,280,000</u>	1,635,000

An internal service fund is used by management to charge the costs of insurance to individual funds. The change in net assets in the internal service fund is reported with governmental activities.....		(59,200)
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Some expenses 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:		
Early retirement benefits.....	\$ (103,736)	
Net OPEB liability.....	<u>(54,420)</u>	<u>(158,156)</u>

Change in Net Assets of Governmental Activities (Page 15) \$ 1,552,164

Statement of Net Assets - Proprietary Funds

As of June 30, 2012

	Nonmajor Enterprise Fund School Nutrition	Internal Service Fund Health Insurance Fund
Assets		
Cash and cash equivalents.....	\$ 161,119	\$ 562,238
Receivables		
Due from other funds	—	9,413
Inventories and prepaid expenses	16,995	5,467
Capital assets, net of accumulated depreciation	<u>139,645</u>	<u>—</u>
Total Assets	<u>\$ 317,759</u>	<u>\$ 577,118</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ —	\$ 10,278
Salaries and benefits payable.....	<u>7,177</u>	<u>—</u>
Total Liabilities	<u>7,177</u>	<u>10,278</u>
Net Assets		
Invested in capital assets.....	139,645	—
Unrestricted	<u>170,937</u>	<u>566,840</u>
Total Net Assets	<u>310,582</u>	<u>566,840</u>
Total Liabilities and Net Assets	<u>\$ 317,759</u>	<u>\$ 577,118</u>

Statement of Revenue, Expenses and Changes in Net Assets - Proprietary Funds

Year Ended June 30, 2012

	Nonmajor Enterprise Fund <u>School Nutrition</u>	Internal Service Fund <u>Health Insurance Fund</u>
Operating Revenue		
Local Sources		
Charges for services	\$ 219,019	\$ —
Other receipts	52,178	—
Health insurance contributions	<u>—</u>	<u>1,434,389</u>
Total Operating Revenue	<u>271,197</u>	<u>1,434,389</u>
Operating Expenses		
Noninstructional Programs		
Food Service Operations		
Salaries and benefits	300,135	—
Purchased services and supplies	437,309	—
Depreciation	17,409	—
Health insurance claims and fees	<u>—</u>	<u>1,499,030</u>
Total Operating Expenses	<u>754,853</u>	<u>1,499,030</u>
Loss From Operations	<u>(483,656)</u>	<u>(64,641)</u>
Nonoperating Revenue		
State sources	6,261	—
Federal sources	463,597	—
Interest on investments	<u>1,086</u>	<u>5,441</u>
Total Nonoperating Revenue	<u>470,944</u>	<u>5,441</u>
Decrease in Net Assets	(12,712)	(59,200)
Net Assets - Beginning of Year	<u>323,294</u>	<u>626,040</u>
Net Assets - End of Year	<u>\$ 310,582</u>	<u>\$ 566,840</u>

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2012

	<u>Nonmajor Enterprise Fund School Nutrition</u>	<u>Internal Service Fund Health Insurance Fund</u>
Cash Flows From Operating Activities		
Cash received from sale of lunches and breakfasts.....	\$ 219,019	\$ —
Cash received from other	52,178	—
Cash received from assessments made to other funds	—	1,424,976
Cash payments to employees for services	(298,611)	—
Cash payments to suppliers for goods and services	(376,911)	—
Cash payments for insurance claims	<u>—</u>	<u>(1,513,999)</u>
Net Cash Used in Operating Activities.....	<u>(404,325)</u>	<u>(89,023)</u>
Cash Flows Provided by Noncapital Financing Activities		
State grants received.....	6,261	—
Federal grants received.....	<u>414,023</u>	<u>—</u>
Net Cash Provided by Noncapital Financing Activities	<u>420,284</u>	<u>—</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets.....	<u>(8,658)</u>	<u>—</u>
Cash Flows From Investment Activities		
Interest on investments	<u>1,086</u>	<u>5,441</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	8,387	(83,582)
Cash and Cash Equivalents at Beginning of Year	<u>152,732</u>	<u>645,820</u>
Cash and Cash Equivalents at End of Year	<u>\$ 161,119</u>	<u>\$ 562,238</u>
Reconciliation of Loss From Operations to Net Cash Used in Operating Activities		
Loss from operations.....	\$ (483,656)	\$ (64,641)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities		
Commodities used.....	58,253	—
Depreciation	17,409	—
Increase in due from other funds	—	(9,413)
(Increase) decrease in inventories and prepaid expenses	2,145	(5,467)
Increase in salaries and benefits payable	1,524	—
Decrease in accounts payable and provision for health insurance claims	<u>—</u>	<u>(9,502)</u>
Net Cash Used in Operating Activities.....	<u>\$ (404,325)</u>	<u>\$ (89,023)</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2012, the District received \$49,574 of federal commodities.

Statement of Fiduciary Net Assets - Fiduciary Funds

As of June 30, 2012

	Private Purpose Trusts	Agency Funds
Assets		
Cash and Pooled Investments.....	<u>\$ 39,436</u>	<u>\$ 1,483</u>
Liabilities		
Other payables.....	\$ —	\$ 1,483
Net Assets		
Reserved for special purposes.....	<u>39,436</u>	<u>—</u>
Total Liabilities and Net Assets.....	<u>\$ 39,436</u>	<u>\$ 1,483</u>

Statement of Changes in Fiduciary Net Assets - Fiduciary Funds ---

Year Ended June 30, 2012

	Private Purpose Trusts
Additions	
Local Sources	
Gifts and contributions	\$ 978
Interest income	<u>162</u>
Total Additions	1,140
Deductions	
Instruction	
Other.....	<u>654</u>
Change in Net Assets	486
Net Assets - Beginning of Year.....	<u>38,950</u>
Net Assets - End of Year	<u>\$ 39,436</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Hampton-Dumont 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 Cities of Hampton and Dumont, Iowa, and the predominate agricultural territory in Franklin and Butler Counties. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Hampton-Dumont 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. Hampton-Dumont 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 Franklin and Butler Counties Assessor's Conference Board.

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and the statement of activities report information on all 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 revenue, are reported separately for 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, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

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

(1) Summary of Significant Accounting Policies

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (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 revenue are reported instead as general revenue.

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

The District's proprietary fund is the School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District's internal service fund is the Health Insurance Fund. This fund is used to account for the District's health insurance plan payments.

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.

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

(1) Summary of Significant Accounting Policies

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. Revenue is 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenue. 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 revenue.

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

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 revenue and expenses from nonoperating items. Operating revenue 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 revenue 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 revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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.

Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents

The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for nonnegotiable certificates of deposit which are stated at cost.

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

Property Taxes Receivable

Property taxes in the governmental funds are accounted for using the modified accrual basis of accounting.

Property taxes receivable are 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 taxes receivable represent unpaid taxes for the current and prior years. The succeeding year property taxes receivable represent 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 taxes 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 becomes due and collectible in September and March of the fiscal year with a 1-1/2% monthly 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 revenue, grants and reimbursements from other governments.

Inventories

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

(1) Summary of Significant Accounting Policies

Capital Assets

Capital assets, which include property, furniture and 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 value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2012. 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.

Land.....	\$ 2,500
Buildings and improvements	2,500
Intangibles.....	2,500
Furniture and Equipment	
School nutrition equipment.....	500
Other furniture and equipment.....	2,500

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

Buildings and improvements	20 - 50 Years
Intangibles.....	5 - 10 Years
Furniture and equipment	5 - 15 Years

Salaries and Benefits Payable

Payroll and related expenditures for teachers and staff with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue

Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property taxes receivable and other receivables not collected within 60 days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property taxes receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences

District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial as of June 30, 2012.

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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Fund Equity

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

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

Unassigned - All amounts not included in the preceding classification.

Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the noninstructional program function. The District did not exceed its General Fund unspent authorized budget.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash and Pooled Investments

The District's deposits in banks as of June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

As of June 30, 2012, the District had no investments.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
Capital Projects	General	\$ 84,477
Internal Service	General	9,413
Student Activity	General	8,208
		<u>\$ 102,098</u>

Notes to the Financial Statements

(3) Due From and Due to Other Funds

The General Fund is repaying the Capital Projects Fund for revenue incorrectly recorded in the current year, the Internal Service Fund for insurance payments not paid prior to the end of the year and the Student Activity Fund for an authorized transfer. The balances are to be repaid by June 30, 2013.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer To	Transfer From	Amount
Debt Service	Capital Projects	<u>\$ 1,516,461</u>

Transfers generally move revenue from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance - Beginning of Year (Restated - Note 14)	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 202,500	\$ —	\$ —	\$ 202,500
Construction in progress	<u>1,760,087</u>	<u>—</u>	<u>1,760,087</u>	<u>—</u>
Total Capital Assets Not Being Depreciated.....	<u>1,962,587</u>	<u>—</u>	<u>1,760,087</u>	<u>202,500</u>
Capital Assets Being Depreciated				
Buildings and improvements	13,741,388	3,934,484	—	17,675,872
Furniture and equipment	<u>1,310,807</u>	<u>74,319</u>	<u>—</u>	<u>1,385,126</u>
Total Capital Assets Being Depreciated.....	<u>15,052,195</u>	<u>4,008,803</u>	<u>—</u>	<u>19,060,998</u>
Less Accumulated Depreciation for				
Buildings and improvements	2,874,324	349,167	—	3,223,491
Furniture and equipment	<u>852,389</u>	<u>155,541</u>	<u>—</u>	<u>1,007,930</u>
Total Accumulated Depreciation...	<u>3,726,713</u>	<u>504,708</u>	<u>—</u>	<u>4,231,421</u>
Net Total Capital Assets Being Depreciated.....	<u>11,325,482</u>	<u>3,504,095</u>	<u>—</u>	<u>14,829,577</u>
Net Governmental Activities				
Capital Assets.....	<u>\$ 13,288,069</u>	<u>\$ 3,504,095</u>	<u>\$ 1,760,087</u>	<u>\$ 15,032,077</u>

Notes to the Financial Statements

(5) Capital Assets

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Business-Type Activities				
Furniture and equipment	\$ 204,803	\$ 8,658	\$ —	\$ 213,461
Less accumulated depreciation	<u>56,407</u>	<u>17,409</u>	<u>—</u>	<u>73,816</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 148,396</u>	<u>\$ (8,751)</u>	<u>\$ —</u>	<u>\$ 139,645</u>

Depreciation expense was charged to the following functions:

Governmental Activities

Instruction				
Special				\$ 7,675
Support Services				
Transportation				<u>142,075</u>
Subtotal				149,750
Unallocated				<u>354,958</u>
Total Governmental Activities Depreciation Expense				<u>\$ 504,708</u>

Business-Type Activities

Food Service				<u>\$ 17,409</u>
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(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	Reductions	Balance - End of Year	Due Within One Year
General obligation					
bonds	\$ 6,170,000	\$ 4,645,000	\$ 5,390,000	\$ 5,425,000	\$ 380,000
Revenue bonds	5,795,000	—	890,000	4,905,000	100,000
Early retirement					
benefits	509,333	227,875	124,139	613,069	109,335
Net OPEB liability	<u>124,745</u>	<u>54,420</u>	<u>—</u>	<u>179,165</u>	<u>—</u>
Total	<u>\$ 12,599,078</u>	<u>\$ 4,927,295</u>	<u>\$ 6,404,139</u>	<u>\$ 11,122,234</u>	<u>\$ 589,335</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bonds Issued May 1, 2005			Bonds Issued June 7, 2012			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2013	3.75%	\$ 380,000	\$ 239,508	2.00%	\$ —	\$ 84,983	\$ 380,000	\$ 324,491
2014	4.00	400,000	225,257	2.00	—	94,425	400,000	319,682
2015		—	—	2.00	420,000	94,425	420,000	94,425
2016		—	—	2.00	430,000	86,025	430,000	86,025
2017		—	—	2.00	440,000	77,425	440,000	77,425
2018-2022		—	—	2.00	2,345,000	251,425	2,345,000	251,425
2023-2024		—	—	2.10 - 2.20	1,010,000	33,055	1,010,000	33,055
Total.....		\$ 780,000	\$ 464,765		\$ 4,645,000	\$ 721,763	\$ 5,425,000	\$ 1,186,528

Refunded Bonds

On June 7, 2012, the District approved a refunding trust agreement with its refunding trustee. The agreement required the District to transfer cash and authorized the issuance of \$4,645,000 General Obligation School Refunding Bonds, Series 2012. The trustee agreed to accept the cash and bond proceeds, invest the funds and call and retire debt principal plus interest. At closing, \$4,712,031 of Series 2012 bond proceeds and \$468,145 of District cash were wire transferred directly to the refunding trust to purchase certain direct obligations of the United States Government which will mature at such times and in such amounts, including investment income therefrom, as will be sufficient to pay all of the principal and interest on the refunded bonds maturing after May 1, 2014, which are callable for redemption on May 1, 2014. The District will make scheduled principal and interest payments on bonds maturing prior to and including May 1, 2014, from District funds. Remaining bonds are callable at the dates and in the amounts noted below:

	May 1, 2013	May 1, 2014	May 1, 2014 (Refunded)
General Obligation School Bonds, 1-1-05	\$ 380,000	\$ 400,000	\$ 5,025,000

The refunding resulted in an economic gain of \$449,998.

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bonds Issued June 1, 2011		
	Interest Rates	Principal	Interest
2013	2.00%	\$ 100,000	\$ 147,345
2014	2.00	180,000	144,545
2015	2.00	285,000	139,895
2016	2.10	490,000	131,900
2017	2.50	500,000	120,505
2018-2022	2.90 - 3.70	2,740,000	361,116
2023	3.85	610,000	11,742
Total		\$ 4,905,000	\$ 1,057,048

Notes to the Financial Statements

(6) Long-Term Liabilities

The District has pledged future statewide sales, services and use tax revenue to repay the \$2,050,000 of bonds issued in May, 2004 and \$4,905,000 of bonds issued in June, 2011. The 2004 bonds were issued for the purpose of financing a portion of the costs of a middle school and were paid off during the year ended June 30, 2012. The 2011 bonds were issued for the purpose of financing the installation of a geothermal heating and cooling system at the high school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$5,962,048. For the current year, principal of \$890,000 was paid and interest of \$126,463 was paid on the bonds and total statewide sales, services and use tax revenue was \$939,858.

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

- (a) \$490,500 of the proceeds from the bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- (b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- (c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all the revenue bond provisions during the year ended June 30, 2012.

(7) Operating Lease

In March, 2010, the District entered into a lease-purchase agreement for laptop computers totaling \$447,709 with interest at 0.589% and payable over four years beginning in 2010. Annual payments of \$113,093 are made from proceeds of the statewide sales, services and use tax.

In October, 2010, the District entered into a five-year lease for the use of the auditorium and gym at the former middle school. The annual lease payment was \$10,000 in the first year, increasing 3-1/2% annually for the next four years.

In April, 2011, the District entered into a five-year lease for copiers that requires minimum monthly payments of \$3,432 starting in May, 2011.

The District paid \$176,972 of principal and interest under all lease agreements during the year ended June 30, 2012.

Notes to the Financial Statements

(7) Operating Lease

Year Ending June 30,	Computers	Auditorium and Gym	Copiers	Total
2013	\$ 113,093	\$ 11,987	\$ 41,181	\$ 166,261
2014	113,093	12,375	41,181	166,649
2015	—	—	41,181	41,181
2016	—	—	30,886	30,886
Total Minimum Lease Payments	<u>\$ 226,186</u>	<u>\$ 24,362</u>	<u>\$ 154,429</u>	<u>\$ 404,977</u>

(8) Pension Plan

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 covered salary and the District is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$611,292, \$520,270 and \$461,512, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description

The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 175 active and 13 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), 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 costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 145,000
Interest on net OPEB obligation.....	5,614
Adjustment to annual required contribution.....	<u>(5,194)</u>
Annual OPEB Cost	145,420
Contributions made	<u>(91,000)</u>
Increase in Net OPEB Obligation	54,420
Net OPEB Obligation - Beginning of Year.....	124,745
Net OPEB Obligation - End of Year	<u><u>\$ 179,165</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 plan's actual contributions for the year ended June 30, 2012.

For the fiscal year 2012, the District contributed \$1,026,176 to the medical plan. Plan members eligible for benefits paid \$211,763, or 17%, of the premium costs.

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	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 145,000	57.9%	\$ 61,000
June 30, 2011	147,745	56.9	124,745
June 30, 2012	145,420	62.6	179,165

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date for the period of July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,422 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,422 million. The covered payroll (annual payroll of active employees covered by the plan) was \$7,859 million, and the ratio of the UAAL to the covered payroll was 18.1%. As of June 30, 2012, there were no trust fund assets.

(9) Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$654 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

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

The District is currently self-funding \$1,500 of each employee's deductible. The District previously self-insured its health care plan with coverage only for excess losses. All claims from that plan have been paid. The Health Insurance Fund is funded by the General Fund to the extent of its possible liability. Any funds remaining are deemed to be liabilities to cover any claims the District may receive after the end of the fiscal year.

Notes to the Financial Statements

(11) Area Education Agency Support

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 \$487,060 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.

(12) Early Retirement

The District offers a voluntary early retirement plan for employees who are at least 55 years of age and have completed at least 15 years of continuous service to the District. The program depends on the classification of the employee. For licensed staff, it consists of two parts. Part one is a cash payment of \$1,000 for each year of service, capped at \$25,000. The second part is a payment of \$100 for each unused sick day. These payments are deposited into an escrow account to be used for insurance premiums. Support staff will receive 75 days per diem, deposited into an escrow account to be used for insurance premiums. The Board has complete discretion to offer or not to offer an early retirement plan.

As of June 30, 2012, the District had an unfunded liability of \$613,069. Retirement expenditures paid during the year ended June 30, 2012 totaled \$124,139.

(13) Subsequent Events

Management has evaluated subsequent events through March 13, 2013, the date which the financial statements were available to be issued.

(14) Prior Period Adjustments

Management determined during the year ended June 30, 2012, that the prior year accounts receivable was not properly reported due to an amount from fiscal year 2010 that was not properly reversed. As a result, a prior period adjustment has been made to decrease the General Fund fund balance as of June 30, 2011 by \$110,544.

During the year ended June 30, 2012, management determined that the prior year financial statements improperly stated their certified fund balance. As a result, a prior period adjustment has been made to increase the General Fund fund balance as of June 30, 2011 by \$40,096.

Additionally, during the year ended June 30, 2012, management determined that current year expenses included payments that should have been expenses in the prior period. As a result, a prior period adjustment has been made to decrease the Capital Projects Fund fund balance as of June 30, 2011 by \$78,569.

Management also determined during the year ended June 30, 2012 that current year income included revenue that should have been income in the prior period. As a result, a prior period adjustment has been made to increase the Capital Projects Fund fund balance as of June 30, 2011 by \$42,613.

Notes to the Financial Statements

(14) Prior Period Adjustments

During the year ended June 30, 2012, management determined that the current year expenditures were not properly adjusted for a prior year accounts payable. As a result, a prior period adjustment has been made to increase the Capital Projects Fund fund balance as of June 30, 2012 by \$177,498.

Management determined during the year ended June 30, 2012, that capital assets, net of accumulated depreciation excluded construction in progress and furniture and equipment additions from prior years. Additionally, depreciation expense had been overstated in prior periods. These items resulted in a net increase of \$314,619 for capital assets, net of accumulated depreciation as of June 30, 2011.

These prior period adjustments also increased the governmental activities net assets as of June 30, 2011 by \$385,713.

There was no effect on any other fund balances, nor any effect on the changes in net asset or fund balances for the year ended June 30, 2012.

	General Fund	Capital Projects - Statewide Sales, Services and Use Tax	Governmental Activities - Capital Assets, Net of Accumulated Depreciation	Governmental Activities
Balances - June 30, 2011, as previously reported.....	\$ 853,035	\$ 3,381,985	\$ 12,973,450	\$ 6,214,096
Change in prior period accounts receivable	(110,544)	—	—	(110,544)
Change in prior period certified balance	40,096	—	—	40,096
Change in prior period expenditures	—	(78,569)	—	(78,569)
Changes in prior period revenue....	—	42,613	—	42,613
Change in prior period accounts payable	—	177,498	—	177,498
Change in prior period capital assets, net of accumulated depreciation	—	—	314,619	314,619
Balances - June 30, 2011, as Restated.....	<u>\$ 782,587</u>	<u>\$ 3,523,527</u>	<u>\$ 13,288,069</u>	<u>\$ 6,599,809</u>

Required Supplementary Information

Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Fund

Year Ended June 30, 2012

	Actual			Budget	Over (Under) Budget
	Governmental Fund Types	Proprietary Fund Type	Total	Amount Original and Final	
Revenue					
Local sources	\$ 7,465,667	\$ 272,283	\$ 7,737,950	\$ 7,202,371	\$ 535,579
Intermediate sources.....	9,240	—	9,240	10,000	(760)
State sources	7,141,572	6,261	7,147,833	7,307,261	(159,428)
Federal sources	990,319	463,597	1,453,916	1,054,000	399,916
Total Revenue.....	<u>15,606,798</u>	<u>742,141</u>	<u>16,348,939</u>	<u>15,573,632</u>	<u>775,307</u>
Expenditures/Expenses					
Instruction.....	8,902,293	—	8,902,293	9,093,000	(190,707)
Support services	3,213,951	—	3,213,951	3,620,000	(406,049)
Noninstructional programs	—	754,853	754,853	675,000	79,853
Other expenditures.....	5,185,697	—	5,185,697	5,580,864	(395,167)
Total Expenditures/ Expenses	<u>17,301,941</u>	<u>754,853</u>	<u>18,056,794</u>	<u>18,968,864</u>	<u>(912,070)</u>
Revenue Under Expenditures/ Expenses.....	(1,695,143)	(12,712)	(1,707,855)	(3,395,232)	1,687,377
Balance - Beginning of Year, as Restated	5,213,554	323,294	5,536,848	6,560,739	(1,023,891)
Balance - End of Year	<u>\$ 3,518,411</u>	<u>\$ 310,582</u>	<u>\$ 3,828,993</u>	<u>\$ 3,165,507</u>	<u>\$ 663,486</u>

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, noninstructional 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 noninstructional programs function exceeded the amounts budgeted. The District did not exceed its General Fund unspent authorized budget.

Schedule of Funding Progress for the Retiree Health Plan ---

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	7-1-09	\$ —	\$ 1,422,000	\$ 1,422,000	0%	\$ 7,054,000	20.2%
2011	7-1-09	—	1,422,000	1,422,000	0	7,524,000	18.9
2012	7-1-09	—	1,422,000	1,422,000	0	7,859,000	18.1

See Note 8 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2012

	<u>Special Revenue</u>		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 304,820	\$ 30,598	\$ 335,418
Receivables			
Property Taxes			
Delinquent	4,153	—	4,153
Succeeding year	600,001	—	600,001
Due from other funds	—	8,208	8,208
Total Assets	<u>\$ 908,974</u>	<u>\$ 38,806</u>	<u>\$ 947,780</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 54,107	\$ 2,334	\$ 56,441
Deferred Revenue			
Succeeding year property taxes	600,001	—	600,001
Total Liabilities	<u>654,108</u>	<u>2,334</u>	<u>656,442</u>
Fund Balances			
Restricted for			
Management levy purposes	254,866	—	254,866
Student activities	—	36,472	36,472
Total Fund Balances	<u>254,866</u>	<u>36,472</u>	<u>291,338</u>
Total Liabilities and Fund Balances	<u>\$ 908,974</u>	<u>\$ 38,806</u>	<u>\$ 947,780</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2012

	Special Revenue		Total
	Management Levy	Student Activity	
Revenue			
Local Sources			
Local taxes.....	\$ 349,761	\$ —	\$ 349,761
Other.....	19,102	233,843	252,945
Total Revenue	368,863	233,843	602,706
Expenditures			
Current Instruction			
Regular	105,430	—	105,430
Other.....	—	206,002	206,002
Total Instruction	105,430	206,002	311,432
Support Services			
Operation and maintenance of plant	142,879	—	142,879
Transportation.....	12,679	—	12,679
Total Support Services.....	155,558	—	155,558
Total Expenditures	260,988	206,002	466,990
Net Change in Fund Balances	107,875	27,841	135,716
Fund Balances - Beginning of Year	146,991	8,631	155,622
Fund Balances - End of Year	\$ 254,866	\$ 36,472	\$ 291,338

Schedule of Changes in Special Revenue Fund, Student Activity Accounts —

Year Ended June 30, 2012

	Balance - Beginning of Year	Revenue and Transfers	Expenditures and Transfers	Balance - End of Year
IT Adventures Club.....	\$ 437	\$ —	\$ —	\$ 437
Girls Book Club	650	—	352	298
Character Counts	349	2,828	1,725	1,452
Key Club.....	—	137	25	112
MS Cheerleading.....	—	255	255	—
HS Cheerleading	—	4,428	4,428	—
DECA	1,193	1,946	2,534	605
Drama Club	121	477	121	477
FBL	299	341	251	389
FCA.....	21	—	—	21
FCCLA	1,117	946	35	2,028
FFA	—	37,814	22,461	15,353
FTA	724	1,000	130	1,594
International Club	308	604	20	892
Mock Trial.....	—	979	979	—
SADD	500	522	133	889
Student Council	658	2,659	1,640	1,677
Drill Team.....	—	4,219	4,219	—
Dramatics - Plays and Musicals.....	—	2,420	2,420	—
HS Instrumental Music	—	3,722	3,722	—
HS Instrumental Uniform	—	100	100	—
HS Vocal Music	—	3,584	3,584	—
HS Vocal Uniform.....	—	208	208	—
MS Instrumental Music.....	—	459	459	—
Speech.....	185	—	185	—
MS Yearbook.....	500	2,106	2,606	—
HS Yearbook.....	—	18,630	18,630	—
Success Center	954	1,903	2,222	635
Class of 2015	—	8,731	5,109	3,622
Class of 2012	2,101	1,491	3,592	—
Class of 2013	3,357	4,872	5,481	2,748
Class of 2014	3,243	—	—	3,243
Cross Country	40	1,421	1,461	—
MS Boys Basketball.....	—	1,760	1,760	—
HS Boys Basketball	—	8,417	8,417	—
MS Football	—	3,124	3,124	—

Schedule of Changes in Individual Student Activity Accounts

Year Ended June 30, 2012

	Balance - Beginning of Year	Revenue and Transfers	Expenditures and Transfers	Balance - End of Year
HS Football	\$ 4,000	\$ 20,885	\$ 24,885	\$ —
Baseball	—	14,805	14,805	—
HS Boys Track	—	2,616	2,616	—
MS Boys Track	—	340	340	—
Boys Golf	—	2,483	2,483	—
MS Wrestling	—	478	478	—
HS Wrestling	30	5,428	5,458	—
MS Girls Basketball	—	1,831	1,831	—
HS Girls Basketball	291	8,625	8,916	—
MS Volleyball	—	1,576	1,576	—
HS Volleyball	—	9,354	9,354	—
Girls Soccer	532	—	532	—
Softball	—	5,728	5,728	—
HS Girls Track	81	5,964	6,045	—
MS Girls Track	68	4,000	4,068	—
Girls Golf	—	864	864	—
HS Activity Tickets	(14,147)	14,147	—	—
MS Activity Tickets	1,019	3,059	4,078	—
MS Concession Fund Balance	—	329	329	—
HS Concession Fund Balance	—	8,407	8,407	—
Vending Machine Sales	—	821	821	—
	<u>\$ 8,631</u>	<u>\$ 233,843</u>	<u>\$ 206,002</u>	<u>\$ 36,472</u>

Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2012

	<u>Capital Projects</u>		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Assets			
Cash and pooled investments	\$ 352,344	\$ 89,666	\$ 442,010
Receivables			
Property Taxes			
Delinquent	—	3,827	3,827
Succeeding year	—	328,196	328,196
Due from other funds	84,477	—	84,477
Due from other governments.....	<u>307,122</u>	<u>—</u>	<u>307,122</u>
Total Assets	<u>\$ 743,943</u>	<u>\$ 421,689</u>	<u>\$ 1,165,632</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 18,291	\$ 10,957	\$ 29,248
Deferred Revenue			
Succeeding year property taxes	<u>—</u>	<u>328,196</u>	<u>328,196</u>
Total Liabilities	<u>18,291</u>	<u>339,153</u>	<u>357,444</u>
Fund Balances			
Restricted for			
School infrastructure	725,652	—	725,652
Physical plant and equipment	<u>—</u>	<u>82,536</u>	<u>82,536</u>
Total Fund Balances	<u>725,652</u>	<u>82,536</u>	<u>808,188</u>
Total Liabilities and Fund Balances	<u>\$ 743,943</u>	<u>\$ 421,689</u>	<u>\$ 1,165,632</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Capital Projects Accounts

Year Ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenue			
Local Sources			
Local taxes.....	\$ 939,858	\$ 313,762	\$ 1,253,620
Other.....	<u>20,492</u>	<u>3,411</u>	<u>23,903</u>
Total Revenue	<u>960,350</u>	<u>317,173</u>	<u>1,277,523</u>
Expenditures			
Facilities acquisition.....	<u>2,241,764</u>	<u>312,799</u>	<u>2,554,563</u>
Revenue Over (Under) Expenditures	(1,281,414)	4,374	(1,277,040)
Other Financing Uses			
Operating transfers out.....	<u>(1,516,461)</u>	<u>—</u>	<u>(1,516,461)</u>
Net Change in Fund Balances	(2,797,875)	4,374	(2,793,501)
Fund Balances - Beginning of Year, as Restated (Note 14).....	<u>3,523,527</u>	<u>78,162</u>	<u>3,601,689</u>
Fund Balances - End of Year	<u>\$ 725,652</u>	<u>\$ 82,536</u>	<u>\$ 808,188</u>

**Schedule of Revenue By Source and Expenditures By Function -
All Governmental Fund Types (Modified Accrual Basis)**

For the Last Nine Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue									
Local Sources									
Local taxes.....	\$ 6,237,084	\$ 5,666,628	\$ 5,653,892	\$ 5,951,406	\$ 5,558,155	\$ 5,212,791	\$ 4,891,927	\$ 4,132,199	\$ 3,547,166
Tuition.....	470,494	365,882	352,775	343,608	310,974	247,231	280,604	249,601	289,616
Other.....	758,089	536,922	649,846	684,545	890,486	779,212	494,212	1,023,487	406,629
Intermediate sources.....	9,240	—	—	—	—	—	—	—	—
State sources.....	7,141,572	6,825,588	5,548,193	6,466,110	6,049,643	5,892,259	5,450,579	5,190,228	4,933,980
Federal sources.....	990,319	793,066	1,121,623	416,487	365,253	309,272	539,351	281,425	1,058,244
Total	\$ 15,606,798	\$ 14,188,086	\$ 13,326,329	\$ 13,862,156	\$ 13,174,511	\$ 12,440,765	\$ 11,656,673	\$ 10,876,940	\$ 10,235,635
Expenditures									
Instruction.....	\$ 8,902,293	\$ 8,556,421	\$ 8,200,129	\$ 7,742,453	\$ 7,582,925	\$ 7,065,695	\$ 6,997,408	\$ 5,911,398	\$ 6,114,276
Support Services									
Student.....	381,698	343,821	276,310	275,627	318,331	435,746	276,580	231,504	247,540
Instructional staff.....	576,618	794,057	600,898	334,231	588,486	574,654	554,673	537,013	424,745
Administration.....	1,026,923	1,004,631	1,055,358	937,527	895,293	992,143	840,642	696,654	666,446
Operations and maintenance of plant.....	858,475	862,776	889,838	899,872	976,448	996,419	908,120	818,084	798,856
Transportation.....	370,237	563,898	472,776	503,631	472,626	469,573	472,622	425,901	374,308
Other Expenditures									
Facilities acquisition.....	2,554,563	2,714,554	328,844	676,698	1,137,056	2,794,866	5,774,418	1,840,267	2,174,885
Long-Term Debt									
Principal.....	1,723,145	570,000	545,000	530,000	510,000	620,891	420,876	120,819	115,765
Interest and fiscal charges.....	420,929	304,733	327,596	338,365	351,320	374,007	488,742	60,321	23,272
AEA flowthrough.....	487,060	533,139	506,620	444,565	415,018	397,607	366,219	350,987	355,601
Total	\$ 17,301,941	\$ 16,248,030	\$ 13,203,369	\$ 12,682,969	\$ 13,247,503	\$ 14,721,601	\$ 17,100,300	\$ 10,992,948	\$ 11,295,694

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Agriculture			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY 2012	\$ 72,084
National School Lunch Program	10.555*	FY 2012	352,671
Summer Food Service Program for Children	10.559	FY 2012	<u>19,869</u>
Total Child Nutrition Cluster			<u>444,624</u>
Fresh Fruit and Vegetable Program.....	10.582	FY 2012	<u>18,973</u>
Total U.S. Department of Agriculture.....			<u>463,597</u>
U.S. Department of Education - Indirect			
Pass-Through From Area Education Agency 267			
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 2012	<u>64,623</u>
Pass-Through From Iowa Department of Education			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies.....	84.010	FY 2012	365,083
ARRA - Title I Grants to Local Educational Agencies, Recovery Act.....	84.389	FY 2012	<u>19,538</u>
Total Title I, Part A Cluster			<u>384,621</u>
State and Drug-Free Schools and Communities - State Grants	84.186	FY 2012	<u>2,490</u>
Improving Teacher Quality State Grants	84.367	FY 2012	<u>40,906</u>
Grants for State Assessments and Related Activities	84.369	FY 2012	<u>5,980</u>
ARRA - Education Jobs Fund	84.410	FY 2012	<u>257,845</u>
Total Pass-Through From Iowa Department of Education			<u>691,842</u>
Total U.S. Department of Education			<u>756,465</u>
Total			<u>\$ 1,220,062</u>

* Includes \$49,574 of noncash awards

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Hampton-Dumont Community School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Subrecipients

Hampton-Dumont Community School District provided no federal awards to subrecipients.

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

Board of Education
Hampton-Dumont Community School District
Hampton, Iowa

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 Hampton-Dumont Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated March 13, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Hampton-Dumont Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Hampton-Dumont 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 our opinion on the effectiveness of Hampton-Dumont Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hampton-Dumont 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 and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying schedule of findings and questioned costs as items 12-II-R-1, 12-II-R-2, 12-II-R-3, 12-II-R-4, 12-II-R-5 and 12-II-R-6 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying schedule of findings and questioned costs as item 12-II-R-7 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hampton-Dumont 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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

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.

Hampton-Dumont Community School District's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. While we have expressed our conclusions on the District's responses, we did not audit Hampton-Dumont 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 Hampton-Dumont Community School District and other parties to whom Hampton-Dumont Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
March 13, 2013

**Independent Auditor's Report on Compliance With Requirements That
Could Have a Direct and Material Effect on Each Major Program and
on Internal Control Over Compliance in Accordance with OMB
Circular A-133**

Board of Education
Hampton-Dumont Community School District
Hampton, Iowa

Compliance

We have audited Hampton-Dumont Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Hampton-Dumont Community School District's major federal programs for the year ended June 30, 2012. Hampton-Dumont Community School District's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Hampton-Dumont Community School District's management. Our responsibility is to express an opinion on Hampton-Dumont Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hampton-Dumont Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hampton-Dumont Community School District's compliance with those requirements.

In our opinion, Hampton-Dumont Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Hampton-Dumont Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Hampton-Dumont Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hampton-Dumont Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 12-III-R-1 to be a material weakness.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of Hampton-Dumont Community School District's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on Hampton-Dumont Community School District's compliance but not to provide an opinion on the effectiveness of Hampton-Dumont Community School District's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hampton-Dumont Community School District's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
March 13, 2013

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Part I: Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? yes no

Significant deficiency identified not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness identified? yes no

Significant deficiency identified not considered to be material weakness? yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Numbers Cluster

Name of Federal Program or

Child Nutrition Cluster
10.553
10.555
10.559

School Breakfast Program
National School Lunch Program
Summer Food Service Program
for Children

Title I, Part A Cluster
84.010

84.389

84.410

Title I Grants to Local Educational Agencies
ARRA - Title I Grants to Local Educational Agencies, Recovery Act

ARRA - Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

12-II-R-1 Segregation of Duties

Finding - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The limited number of accounting personnel employed by the District makes it difficult to achieve adequate control procedures through segregation of duties. The concentration of closely related duties and responsibilities, such as recording and preparing cash receipts, preparing and recording checks and preparation of journals and financial information for posting makes it difficult to establish an adequate system of automatic internal checks on accounting record accuracy and reliability. We noted numerous journal entries with no support, and many that were correcting or reversing entries.

Auditor's Recommendation - We realize that with a limited number of accounting employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances. We recommend all adjusting journal entries be reviewed by another employee. Additionally, management should review procedures to ensure receipt, disbursements and reconciliation functions are as separate as possible.

District's Response - We will review procedures and will implement additional controls where possible.

Auditor's Conclusion - Response accepted.

12-II-R-2 Financial Statement Preparation

Finding - The District does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with accounting principles generally accepted in the United States of America. As is inherent in many entities of this size, the District has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully prepare financial statements and the related disclosures.

Auditor's Recommendation - We recommend obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

District's Response - We will consider obtaining additional knowledge where practical and cost effective. However, we intend to continue to rely on assistance from our audit firm to draft these financial statements each year.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

12-II-R-3 Certified Annual Report

Finding - The Certified Annual Report (CAR) was filed with the Iowa Department of Education timely, but we noted numerous differences between the amounts reported and the District's general ledger.

Auditor's Recommendation - Procedures should be established to make sure the CAR is reconciled with accounting records and reviewed by a member of management prior to being filed.

District's Response - We will establish procedures to reconcile the report with accounting records and to report all funds.

Auditor's Conclusion - Response accepted.

12-II-R-4 Capital Assets

Finding - The District's Board policy for governmental activities is to capitalize fixed assets costing \$2,500 or more with a useful life greater than one year, and for the assets costing \$500 or more for the Nutrition Fund. We noted that the District is using a threshold of \$10,000 for governmental activities and a threshold of \$1,000 for the Nutrition Fund.

Auditor's Recommendation - We recommend that management review the current Board policy for capital assets to determine its reasonableness and needed changes, then establish appropriate procedures to comply with the District's policy. We also recommend that the District review and update asset records to properly account for items acquired prior to June 30, 2012 to determine and record any adjustments required for accumulated depreciation.

District's Response - We will review our policies and establish appropriate procedures to comply with the policies to maintain appropriate asset records. We will also perform a review of prior acquisitions and accumulated depreciation and make adjustments as deemed necessary.

Auditor's Conclusion - Response accepted.

12-II-R-5 Transfers

Finding - During our audit, we noted that the dollar amount of transfers between the Capital Projects - Statewide Sales, Services and Use Tax Fund and the Debt Service Fund was greater than the amount approved by the Board.

Auditor's Recommendation - We recommend that procedures be established to properly approve all transfers between funds.

District's Response - We will review our procedures to ensure that all future transfers between funds are properly approved.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2012

12-II-R-6 Bank Reconciliations

Finding - During our audit, we noted that the one monthly reconciliation combined several cash accounts and certificates of deposit, there was not a separate reconciliation of the cash to each individual fund. This approach improperly reports the cash balance of each fund, as outstanding items were not allocated to the appropriate funds.

Auditor's Recommendation - We recommend that procedures be established to properly reconcile each fund's cash balance on a monthly basis.

District's Response - We will establish procedures to ensure cash balances are properly reconciled for all funds.

Auditor's Conclusion - Response accepted

12-II-R-7 Disbursements

Finding - During our audit, we noted two expenditures which were either not for District business or in excess of meal expenses allowed by the Board policy. The District did not request reimbursement for these amounts as they should have from the employees.

Auditor's Recommendation - The District should have procedures in place to ensure that all expenditures comply with Board policies and seek appropriate reimbursements when required.

District's Response - We will ensure that all expenditures comply with the Board policy and any reimbursements are obtained.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Part III: Findings and Questioned Costs For Federal Awards

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

CFDA Number 10.555 - National School Lunch Program
CFDA Number 10.553 - School Breakfast Program
CFDA Number 10.559 - Summer Food Service Program for Children
Federal Award Year: 2012
U.S. Department of Agriculture
Passed Through Iowa Department of Education

CFDA Number 84.010 - Title I Grants to Local Educational Agencies
CFDA Number 84.389 - ARRA - Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Year: 2012
U. S. Department of Education
Passed Through Iowa Department of Education

CFDA Number 84.410 - ARRA - Education Jobs Fund
Federal Award Year: 2012
U.S. Department of Education
Passed Through Iowa Department of Education

12-III-R-1 Segregation of Duties - Adequate control procedures through the segregation of employee duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See finding 12-II-R-1 for additional information.

Part IV: Other Findings Related to Statutory Reporting

12-IV-A Certified Budget

Findings - Expenditures for the year ended June 30, 2012 exceeded the certified budget amount in the noninstructional program function.

Auditor's 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.

District's Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Auditor's Conclusion - Response accepted.

12-IV-B Questionable Expenditures - Except as noted in finding 12-II-R-7, we noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

12-IV-C 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.

12-IV-D Business Transactions - No business transactions between the District and District officials or employees were noted.

12-IV-E 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.

12-IV-F Board Minutes

Finding - Certain minutes of the Board of Education proceedings were not published as required by Chapter 279.35 of the Code of Iowa. No transactions were noted that we believe should have been approved in the Board minutes but were not, except for transfers between funds.

Auditor's Recommendation - The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting. All transfers should be approved by the Board and sufficient documentation should be maintained to evidence proper approval.

District's Response - Procedures will be revised to ensure the minutes will be published as required. All transfers between funds will be approved by the Board as required.

Auditor's Conclusion - Response accepted.

12-IV-G Certified Enrollment - No net variances in the basic enrollment data certified to the Iowa Department of Education were noted.

12-IV-H Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

12-IV-I Deposits and Investments

Finding - Except as noted below, no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policies were noted. While the District has approved a depository resolution, they exceeded the maximum dollar amount that could be held at an approved financial institution.

Auditor's Recommendation - The District should monitor depository resolution maximum dollar amounts to insure these limits are not exceeded.

District's Response - We have already adopted a new depository resolution which establishes maximum amounts.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

- 12-IV-J Certified Annual Report** - The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education, but we noted numerous differences between the amounts reported and the District's general ledger. See finding 12-II-R-3 for additional information.
- 12-IV-K Categorical Funding** - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 12-IV-L Statewide Sales, Services and Use Tax** - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance, as restated (Note 14).....		\$ 3,523,527
Revenue		
Sales tax revenue	\$ 939,858	
Other local revenue	<u>20,492</u>	960,350
Expenditures/Transfers Out		
School infrastructure construction	\$ 2,241,764	
Transfer to Other Funds		
Debt Service Fund	<u>1,516,461</u>	<u>3,758,225</u>
Ending Balance		<u>\$ 725,652</u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 1.005	\$ 313,797