

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

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Independent Auditor's Report

To the Board of Education of
South Hamilton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of South Hamilton Community School District, Jewell, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of South Hamilton Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2013, on our consideration of South Hamilton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the

methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 South Hamilton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011, (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 18, 2013

**South Hamilton Community Schools
Management Discussion & Analysis
FY 2011-2012**

Management of the South Hamilton Community School District provides this Management's Discussion and Analysis of the South Hamilton Community School District. This narrative overview analysis of the financial activities of the South Hamilton Community School District 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.

FY2012 Financial Highlights

- General Fund revenues increased from \$7,736,747 in fiscal year 2011 to \$7,769,247 in fiscal year 2012, while General Fund expenditures increased from \$7,059,071 in FY 2011 to \$7,150,624 in FY 2012. This indicates that the District's General Fund balance increased from \$1,907,857 at the end of Fiscal year 2011 to \$2,530,170 at the end of FY2012, an increase of \$622,313.
- The increase in General Fund revenues can be attributed to an increase in state revenues. The increase in expenditures is due primarily to increased labor and technology costs.
- The district's solvency ratio increased to 17.2% at June 30, 2011 to 24.8% at June 30, 2012.
- The district's unspent balance (spending authority) increased from \$ 1,209,342 at the end of FY2010, to \$1,477,663 at June 30, 2011 to \$1,620,263 at June 30, 2012.

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 South Hamilton 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 South Hamilton 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 South Hamilton Community School District acts solely as an agent or custodian for the benefit of those outside of District government.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Agri. Science Tech Student Construction Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for the District's employee flexible benefit plan.

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These 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.

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.

Financial Analysis of the District as a Whole

The following table represents a condensed statement of net assets for the FY 2011 and FY 2012.

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2011	2012	2011	2012	2011	2012	
Current and other assets	\$8,108,595	\$ 8,040,221	(\$2,078)	(\$ 3,714)	\$8,106,517	\$ 8,036,507	(.9%)
Capital assets	\$6,226,488	\$ 7,151,187	\$5,196	\$ 9,623	\$6,231,684	\$ 7,160,810	15%
Total Assets	\$14,335,083	\$ 15,191,408	\$3,118	\$ 5,909	\$14,338,201	\$ 15,197,317	6%
Long-term debt outstanding	\$2,482,895	\$ 2,030,917	\$7,161	\$ 11,229	\$2,490,056	\$ 2,042,146	(18 %)
Other liabilities	4,477,354	\$ 4,596,677	\$8,915	\$ 8,414	\$4,486,269	\$ 4,605,091	3 %
Total liabilities	\$6,960,249	\$ 6,627,594	\$16,076	\$ 19,643	\$6,976,325	\$ 6,647,237	(8 %)
Net Assets							
Invested in capital assets, net of related debt	\$3,850,039	\$ 5,225,070	\$5,196	\$ 9,623	\$3,855,235	\$ 5,234,693	36%
Restricted	\$1,853,860	\$ 1,135,412	\$0	\$0	\$1,853,860	\$ 1,135,412	(39%)
Unrestricted	\$1,670,935	\$ 2,203,332	(\$18,154)	(\$23,357)	\$1,652,781	\$ 2,179,975	32%
TOTAL NET ASSETS	\$7,374,834	\$ 8,563,814	(\$12,958)	(\$13,734)	\$7,361,876	\$ 8,550,080	16%

The District's overall financial position is stable as evidenced by a growth in total net assets of 16 % from FY11 to FY12. However, due to declining enrollment, the district must be diligent in its financial planning to maintain a sound financial position.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$718,448 over the prior year. The most of the decrease was caused by fiscal year 2012 spending of balances that were restricted for school infrastructure at June 30, 2011.

Changes in net assets.

The following table represents a comparison of FY2011 and FY2012.

Changes in Net Assets.

	Governmental		Business-type		Total		%
	Activities		Activities		School District		
	2011	2012	2011	2012	2011	2012	Change
Revenues							
Program Revenues							
Charges for services	\$1,007,855	\$ 1,067,691	\$221,036	\$ 247,889	\$1,228,891	\$ 1,315,580	7%
Operating Grants & Contributions	\$1,338,002	\$ 1,125,130	\$166,440	\$ 161,077	\$1,504,442	\$ 1,286,207	-15%
Capital Grants & Contributions	\$27,169	\$ 37,968			\$27,169	\$ 37,968	40%
Property taxes & other taxes	\$4,205,007	\$ 4,367,077			\$4,205,007	\$ 4,367,077	0%
Unrestricted state aid	2,500,649	\$ 2,646,133			\$2,500,649	\$ 2,646,133	6%
Other	\$39,787	\$ 27,249	\$3	\$5	\$39,790	\$ 27,254	-32%
Total Revenues	\$9,118,469	\$9,271,248	\$387,479	\$408,971	\$9,505,948	\$9,680,219	2%
Expenses							
Instruction	\$5,261,741	\$5,360,028			\$5,261,741	\$5,360,028	2%
Pupil & Instructional Svcs	\$548,217	\$541,996			\$548,217	\$541,996	-1%
Administrative & Business	\$607,538	\$652,628			\$607,538	\$652,628	7%
Maintenance & Operations	\$593,371	\$552,692			\$593,371	\$552,692	-7%
Transportation	\$344,221	\$328,061			\$344,221	\$328,061	-5%
Non-instructional Programs	\$0	\$6,562	\$419,181	\$ 415,734	\$419,181	\$422,296	1%
Other	\$680,391	\$634,314			\$680,391	634,314	-7%
Total Expenses	\$8,035,479	\$8,035,479	\$419,181	\$415,734	\$8,454,660	\$8,492,015	0%
Transfers	\$-4,000	\$-5,987	\$4,000	\$5,987	\$0	\$0	
Increase (decrease) in net assets	\$1,078,990	\$1,188,980	\$-27,702	\$-776	\$1,051,288	\$1,188,204	13%

As shown in figure A-4 the District as a whole experienced a 2% increase in revenues and a less than ½% increase in expenditures. Most of the increase in revenues was due to increases in state funding. The increases in expenditures were related to increased salaries and benefits and higher technology expenses.

Governmental Activities

The following table presents the cost of the District’s major governmental activities: instruction, support services, non-instructional programs and other expenses.

Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2012	% Change	2011	2012	% Change
Instruction	\$5,261,741	\$ 5,360,028	2%	\$3,331,122	\$3,502,951	5%
Pupil & Instructional Services	\$548,217	\$ 541,996	-1%	\$453,147	\$ 505,116	11%
Administrative & Business	\$607,538	\$ 652,628	7%	\$607,538	\$ 652,628	7%
Maintenance & Operations	\$593,371	\$ 552,692	-7%	\$565,257	\$ 518,198	-8%
Transportation	\$344,221	\$ 328,061	-5%	\$344,221	\$ 328,061	-5%
Non-instructional programs	0	\$6,562	0%	0	\$6,562	0%
Other	\$680,391	\$ 634,314	-7%	\$361,168	\$331,976	-8%
TOTAL	\$8,035,479	\$ 8,076,281	1%	\$5,662,453	\$5,845,492	3%

- The cost of all governmental activities this year was \$8,076,281.
- The portion of the cost financed by users of the District’s programs was \$1,067,691 which represents tuition from other schools, charges to other schools for shared employees, revenues from extra-curricular student activities and student registration fees.
- The federal and state government and private contributors subsidized certain programs with grants and contributions totaling \$1,125,130.
- The net cost portion of governmental activities was financed with \$3,547,016 in property tax, \$2,646,133 in unrestricted state aid, \$518,407 in sales tax, \$301,654 income surtax, and \$6,805 in interest income.

Business-Type Activities

Revenues of the District’s business-type activities totaled \$408,971 while expenses totaled \$415,734. The District’s business-type activities include the School Nutrition Fund and the Ag Technology Enterprise Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

The loss for the business type activities was created by the food service program. During fiscal year 2012 the District increased the charge for meals and reduced total food service expenses by approximately \$10,000.

Individual Fund Analysis

As previously noted, the South Hamilton 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 3,053,646, down from last year’s ending fund balances of \$3,235,278.

Governmental Fund Highlights

- The General Fund balance increased from \$1,907,857 in FY11 to \$2,530,170 in FY11. Increases in state funding were more than enough to offset increases in expenditures.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. Balances in the Capital Projects Fund must be used for future capital improvements and equipment purchases.
 - The sales tax account balance decreased from \$932,029 at June 30, 2011 to \$119,497 at June 30, 2012. The monies in this account were spent for kitchen and commons renovations during fiscal year 2012.
 - The Physical Plant and Equipment Levy (PPEL) account balance decreased from \$197,958 in FY2011 to \$137,765 in FY2011. Both revenues and expenditures increased during the year.

Proprietary Fund Highlights

School Nutrition fund expenditures exceeded revenues by approximately \$12,000 during fiscal year 2012. Nutrition fund revenues increased by \$12,133 and expenses decreased by \$9,789 during 2012, but this was not enough for the fund to break even for the year. The district is reviewing its meal pricing and implementing measures to continue to control labor and food costs.

Budgetary Highlights

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 blended component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on the GAAP basis. Over the course of the year, the District did not amend its certified budget.

The District has not amended its budget for several years because we prepare the initial budget using the maximum expenditures that the District could have based on projected revenues and carryover balances. Actual expenditures are controlled during the year using a line item budget that bases expenditures on projected revenues for the year.

In spite of its budget practices the expenditures in the other expenditures function exceeded the amount budgeted due to the timing of construction expenditures at year-end without time to amend the budget.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget", which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial

information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

Capital Asset and Debt Administration

Capital Assets

By the end of the fiscal year 2012, the District had invested \$7,160,810, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, transportation equipment, and administrative offices. This amount represents a net decrease of 15 percent from last year. (See exhibit below).

The largest change during the year was in the construction in progress area. During fiscal year 2012 the District had spent \$1,053,001 on a kitchen and commons remodeling project. The District has committed approximately \$630,000 to complete the project.

Capital Assets (net of depreciation)

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Percentage
	2011	2012	2011	2012	2011	2012	Change 2011 to 2012
Land	\$39,301	\$39,301			\$39,301	\$39,301	0%
Construction in progress		\$1,053,001				\$1,053,001	0%
Buildings & Other Improvements	\$5,063,147	\$4,968,040			\$5,063,147	\$4,968,040	-2%
Improvements other than buildings	\$480,352	\$573,207			\$480,352	\$573,207	19%
Equipment & Furniture	\$643,688	\$517,638	\$5,196	\$9,623	\$648,884	\$527,261	-19%
TOTAL	\$6,226,488	\$7,151,187	\$5,196	\$9,623	\$6,231,684	\$7,160,810	15%

Long-Term Debt

At year-end, the district had \$1,790,000 of general obligation bonds outstanding. This represents a decrease of 15% percent from last year. This debt is related to a \$5,000,000 bond issue approved by the voters on December 2, 1997 for the new elementary school building.

The District general obligation bonds are rated Aa3 and AA-. These ratings are assigned by national rating agencies to the District's debt since 2008.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$13 million.

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

	Total School District		Percentage
	2011	2012	Change
			2011-2012
	\$	\$	%
General obligation bonds	\$ 2,105,000	\$ 1,790,000	-15 %
Capital leases	\$ 271,449	\$ 136,117	- 50 %
Net OPEB liability	\$ 66,837	\$ 116,029	74 %
	<u>\$2,490,056</u>	<u>\$ 2,042,146</u>	<u>-18%</u>

Factors Bearing on the District's Future

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

- The number of open enrolled students from neighboring districts per year has shown a decline. While there are still some open enrolling, there are fewer new open enrollees each year than there are open enrolled students who are graduating.
- The projections for enrollment show that there is likely to be a steady decline in enrollment for a number of years.
- The overall economic climate is very challenging to all entities, including public schools who are dependent on state funds.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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:

Susan L. Headley, Board Secretary/Business Manager
or Tim J. Johnson, Superintendent
South Hamilton Community Schools
315 Division Street
Jewell, IA 50130
515-827-5671

BASIC FINANCIAL STATEMENTS

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total	Component Unit South Hamilton Community School District Foundation
	\$	\$	\$	\$
Assets				
Cash and investments	3,691,579	10,724	3,702,303	253,443
Receivables:				
Property tax:				
Delinquent	39,857	-	39,857	-
Succeeding year	3,376,202	-	3,376,202	-
Accounts	68,058	521	68,579	-
Accrued interest	-	-	-	432
Internal balances	33,042	(33,042)	-	-
Due from other governments	831,483	-	831,483	-
Inventories	-	18,083	18,083	-
Capital assets, net of accumulated depreciation	7,151,187	9,623	7,160,810	-
Total assets	15,191,408	5,909	15,197,317	253,875
Liabilities				
Accounts payable	440,715	228	440,943	-
Salaries and benefits payable	641,668	2,850	644,518	-
Due to other governments	99,037	-	99,037	-
Accrued interest payable	11,812	-	11,812	-
Deferred revenue:				
Succeeding year property tax	3,376,202	-	3,376,202	-
Other	27,243	5,336	32,579	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	330,000	-	330,000	-
Capital leases	136,117	-	136,117	-
Portion due after one year:				
General obligation bonds payable	1,460,000	-	1,460,000	-
Net OPEB liability	104,800	11,229	116,029	-
Total liabilities	6,627,594	19,643	6,647,237	-

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total	Component Unit South Hamilton Community School District Foundation
	\$	\$	\$	\$
Net assets				
Invested in capital assets, net of related debt	5,225,070	9,623	5,234,693	-
Restricted for:				
Categorical funding	603,195	-	603,195	-
Management levy	171,735	-	171,735	-
Physical plant and equipment levy	158,318	-	158,318	-
Student activities	72,111	-	72,111	-
School Infrastructure	119,497	-	119,497	-
Debt service	10,556	-	10,556	-
Unrestricted	<u>2,203,332</u>	<u>(23,357)</u>	<u>2,179,975</u>	<u>253,875</u>
Total net assets	<u>8,563,814</u>	<u>(13,734)</u>	<u>8,550,080</u>	<u>253,875</u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Activities
Year ended June 30, 2012

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,352,779	693,138	725,432	-
Special	904,319	66,694	70,393	-
Other	1,102,930	236,485	64,935	-
	<u>5,360,028</u>	<u>996,317</u>	<u>860,760</u>	<u>-</u>
Support services:				
Student	109,148	-	-	-
Instructional staff	432,848	36,880	-	-
Administration	652,628	-	-	-
Operation and maintenance of plant	552,692	34,494	-	-
Transportation	328,061	-	-	-
	<u>2,075,377</u>	<u>71,374</u>	<u>-</u>	<u>-</u>
Non-instructional programs	6,562	-	-	-
Other expenditures:				
Facilities acquisition	84,223	-	-	37,968
Long-term debt interest	78,276	-	78	-
AEA flowthrough	264,292	-	264,292	-
Depreciation (unallocated)*	207,523	-	-	-
	<u>634,314</u>	<u>-</u>	<u>264,370</u>	<u>37,968</u>
Total governmental activities	<u>8,076,281</u>	<u>1,067,691</u>	<u>1,125,130</u>	<u>37,968</u>
Business type activities:				
Food service operations	403,658	230,383	161,077	-
Agri. science tech. student construction	12,076	17,506	-	-
Total business type activities	<u>415,734</u>	<u>247,889</u>	<u>161,077</u>	<u>-</u>
Total primary government	8,492,015	1,315,580	1,286,207	37,968
Component Unit:				
South Hamilton Community School District Foundation	64,684	17,237	54,406	-
Total	<u>8,556,699</u>	<u>1,332,817</u>	<u>1,340,613</u>	<u>37,968</u>

General Revenues:

Property taxes levied for:
General purposes
Debt service
Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other
Total general revenues

Transfers

 Total general revenues and transfers

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(1,934,209)	-	(1,934,209)	-
(767,232)	-	(767,232)	-
(801,510)	-	(801,510)	-
(3,502,951)	-	(3,502,951)	-
(109,148)	-	(109,148)	-
(395,968)	-	(395,968)	-
(652,628)	-	(652,628)	-
(518,198)	-	(518,198)	-
(328,061)	-	(328,061)	-
(2,004,003)	-	(2,004,003)	-
(6,562)	-	(6,562)	-
(46,255)	-	(46,255)	-
(78,198)	-	(78,198)	-
-	-	-	-
(207,523)	-	(207,523)	-
(331,976)	-	(331,976)	-
(5,845,492)	-	(5,845,492)	-
-	(12,198)	(12,198)	-
-	5,430	5,430	-
-	(6,768)	(6,768)	-
(5,845,492)	(6,768)	(5,852,260)	-
-	-	-	6,959
(5,845,492)	(6,768)	(5,852,260)	6,959
2,985,529	-	2,985,529	-
294,956	-	294,956	-
266,531	-	266,531	-
301,654	-	301,654	-
518,407	-	518,407	-
2,646,133	-	2,646,133	-
6,805	5	6,810	4,302
20,444	-	20,444	-
7,040,459	5	7,040,464	4,302
(5,987)	5,987	-	-
7,034,472	5,992	7,040,464	4,302
1,188,980	(776)	1,188,204	11,261
7,374,834	(12,958)	7,361,876	242,614
8,563,814	(13,734)	8,550,080	253,875

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	2,899,618	517,827	19,227	246,417	3,683,089
Receivables:					
Property tax:					
Delinquent	31,945	2,838	3,141	1,933	39,857
Succeeding year	2,156,638	337,925	681,639	200,000	3,376,202
Accounts	65,913	-	-	2,145	68,058
Interfund receivable	33,042	-	-	-	33,042
Due from other governments	669,039	162,444	-	-	831,483
Total assets	<u>5,856,195</u>	<u>1,021,034</u>	<u>704,007</u>	<u>450,495</u>	<u>8,031,731</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	23,631	405,294	-	6,649	435,574
Salaries and benefits payable	641,668	-	-	-	641,668
Due to other governments	99,037	-	-	-	99,037
Deferred revenue:					
Succeeding year property tax	2,156,638	337,925	681,639	200,000	3,376,202
Income surtax	317,737	-	-	-	317,737
Other	87,314	20,553	-	-	107,867
Total liabilities	<u>3,326,025</u>	<u>763,772</u>	<u>681,639</u>	<u>206,649</u>	<u>4,978,085</u>
Fund balances:					
Restricted for:					
Categorical funding	603,195	-	-	-	603,195
Debt service	-	-	22,368	-	22,368
Management levy purposes	-	-	-	171,735	171,735
Student activities	-	-	-	72,111	72,111
School infrastructure	-	119,497	-	-	119,497
Physical plant and equipment	-	137,765	-	-	137,765
Unassigned	1,926,975	-	-	-	1,926,975
Total fund balances	<u>2,530,170</u>	<u>257,262</u>	<u>22,368</u>	<u>243,846</u>	<u>3,053,646</u>
Total liabilities and fund balances	<u>5,856,195</u>	<u>1,021,034</u>	<u>704,007</u>	<u>450,495</u>	<u>8,031,731</u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Assets

June 30, 2012

	\$
Total fund balances of governmental funds (Exhibit C)	3,053,646
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,151,187
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	398,361
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(11,812)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	3,349
Long-term liabilities, including bonds payable, capital leases payable, early retirement benefits, and other postemployment benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,030,917)</u>
Net assets of governmental activities (Exhibit A)	<u><u>8,563,814</u></u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2012

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	3,111,415	784,938	294,956	170,319	4,361,628
Tuition	674,172	-	-	-	674,172
Other	231,110	19,193	78	238,836	489,217
State sources	3,509,599	110	122	75	3,509,906
Federal sources	242,951	-	-	-	242,951
Total revenues	<u>7,769,247</u>	<u>804,241</u>	<u>295,156</u>	<u>409,230</u>	<u>9,277,874</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,301,924	-	-	71,314	3,373,238
Special	897,540	-	-	-	897,540
Other	887,791	-	-	210,519	1,098,310
	<u>5,087,255</u>	<u>-</u>	<u>-</u>	<u>281,833</u>	<u>5,369,088</u>
Support services:					
Student	107,792	-	-	-	107,792
Instructional staff	281,135	-	-	-	281,135
Administration	649,012	-	-	-	649,012
Operation and maintenance of plant	492,159	6,000	-	35,742	533,901
Transportation	268,979	85,578	-	15,563	370,120
	<u>1,799,077</u>	<u>91,578</u>	<u>-</u>	<u>51,305</u>	<u>1,941,960</u>
Non-instructional programs	-	-	-	6,562	6,562
Other expenditures:					
Facilities acquisition	-	1,348,482	-	-	1,348,482
Long-term debt:					
Principal	-	-	450,332	-	450,332
Interest and fiscal charges	-	-	81,161	-	81,161
AEA flowthrough	264,292	-	-	-	264,292
	<u>264,292</u>	<u>1,348,482</u>	<u>531,493</u>	<u>-</u>	<u>2,144,267</u>
Total expenditures	<u>7,150,624</u>	<u>1,440,060</u>	<u>531,493</u>	<u>339,700</u>	<u>9,461,877</u>
Excess (deficiency) of revenues over (under) expenditures	<u>618,623</u>	<u>(635,819)</u>	<u>(236,337)</u>	<u>69,530</u>	<u>(184,003)</u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2012

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Sales of materials and equipment	2,371	-		-	2,371
Operating transfers in	1,319	-	236,906	-	238,225
Operating transfers out	-	(236,906)	-	(1,319)	(238,225)
Total other financing sources (uses)	<u>3,690</u>	<u>(236,906)</u>	<u>236,906</u>	<u>(1,319)</u>	<u>2,371</u>
Net change in fund balances	622,313	(872,725)	569	68,211	(181,632)
Fund balances beginning of year	<u>1,907,857</u>	<u>1,129,987</u>	<u>21,799</u>	<u>175,635</u>	<u>3,235,278</u>
Fund balances end of year	<u><u>2,530,170</u></u>	<u><u>257,262</u></u>	<u><u>22,368</u></u>	<u><u>243,846</u></u>	<u><u>3,053,646</u></u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(181,632)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	1,343,850	
Depreciation expense	<u>(419,151)</u>	924,699
Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		(8,997)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		450,332
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 funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		
		2,885
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	39,609	
Other postemployment benefits	<u>(37,963)</u>	1,646
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		
		<u>47</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>1,188,980</u></u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2012

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Assets		
Cash and cash equivalents	10,724	8,490
Accounts receivable	521	-
Inventories	18,083	-
Capital assets, net of accumulated depreciation	9,623	-
	<u>38,951</u>	<u>8,490</u>
Total assets	<u>38,951</u>	<u>8,490</u>
Liabilities		
Accounts payable	228	5,141
Interfund payable	33,042	-
Salaries and benefits payable	2,850	-
Deferred revenue	5,336	-
Net OPEB liability	11,229	-
	<u>52,685</u>	<u>5,141</u>
Total liabilities	<u>52,685</u>	<u>5,141</u>
Net assets		
Invested in capital assets	9,623	-
Unrestricted	(23,357)	3,349
	<u>(13,734)</u>	<u>3,349</u>
Total net assets	<u>(13,734)</u>	<u>3,349</u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2012

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	<u>\$</u>	<u>\$</u>
Operating revenue:		
Local sources:		
Charges for service	<u>247,889</u>	<u>59,751</u>
Operating expenses:		
Salaries	128,281	-
Benefits	66,063	59,706
Purchased services	1,872	-
Supplies	217,958	-
Depreciation	1,560	-
Total operating expenses	<u>415,734</u>	<u>59,706</u>
Operating income (loss)	<u>(167,845)</u>	<u>45</u>
Non-operating revenues:		
State sources	3,427	-
Federal sources	157,650	-
Interest income	5	2
Total non-operating revenues	<u>161,082</u>	<u>2</u>
Income (loss) before capital contributions	(6,763)	47
Capital contributions	<u>5,987</u>	<u>-</u>
Change in net assets	(776)	47
Net assets beginning of year	<u>(12,958)</u>	<u>3,302</u>
Net assets end of year	<u><u>(13,734)</u></u>	<u><u>3,349</u></u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	229,393	-
Cash received from sale of services and equipment	18,295	-
Cash received from sale of services to other funds	-	59,751
Cash payments to employees for services	(190,073)	(59,646)
Cash payments to suppliers for goods or services	(190,974)	-
Net cash (used) provided by operating activities	<u>(133,359)</u>	<u>105</u>
Cash flows from non-capital financing activities:		
Loans from (repaid to) other funds	(1,268)	-
State grants received	3,427	-
Federal grants received	126,730	-
Net cash provided by non-capital financing activities	<u>128,889</u>	<u>-</u>
Cash flows from capital and related financing activities		
	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>5</u>	<u>2</u>
Net decrease in cash and cash equivalents	(4,465)	107
Cash and cash equivalents at beginning of year	<u>15,189</u>	<u>8,383</u>
Cash and cash equivalents at end of year	<u>10,724</u>	<u>8,490</u>
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	(167,845)	45
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Commodities used	30,920	-
Depreciation	1,560	-
Decrease (increase) in inventories	(2,292)	-
Decrease (increase) in accounts receivable	731	-
(Decrease) increase in accounts payable	228	60
(Decrease) increase in salaries and benefits payable	203	-
(Decrease) increase in deferred revenue	(932)	-
(Decrease) increase in other postemployment benefits	4,068	-
Net cash (used) provided by operating activities	<u>(133,359)</u>	<u>105</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$30,920 of federal commodities.

During the year ended June 30, 2012 the Nutrition Fund received \$5,987 of equipment from other funds.

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	29,082
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>29,082</u></u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	4,445
Interest	673
Total additions	<u>5,118</u>
Deductions:	
Support services:	
Scholarships awarded	<u>6,955</u>
Change in net assets	(1,837)
Net assets beginning of year	<u>30,919</u>
Net assets end of year	<u><u>29,082</u></u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

South Hamilton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Jewell, Ellsworth, Randall and Stanhope, Iowa and the predominately agricultural territory in a portion of Boone and Hamilton Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, South Hamilton Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The South Hamilton Community School District Foundation is included in the financial statements, as required by section 11.6 of the Code of Iowa. The Foundation is the discretely presented component unit.

The South Hamilton Community School District Foundation was established to maintain, develop, increase and extend the facilities and services of the South Hamilton Community School District, and to provide broader education service opportunities to its students, staff, faculty and the residents of the South Hamilton Community School District. Foundation financial statements are shown in the Statement of Net Assets and the Statement of Activities in separate columns.

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 County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District's nonmajor proprietary funds include the Enterprise School Nutrition Fund and the Enterprise Agricultural Science Technology Student Construction Fund. The Nutrition Fund is used to account for the food service operations of the District and the Agricultural Science Technology Student Construction Fund is used to account for student construction projects held for resale.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's employee flexible benefit plan.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund 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 revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, 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 the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is 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 became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received. Proprietary fund inventories include \$1,750 of completed goods held for resale.

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 market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	25,000
Improvements other than buildings	25,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Intangibles	3-20 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax 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 and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

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

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

Unassigned – All amounts not included in other classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012 expenditures in the other expenditures function exceeded the amount budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at 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.

At June 30, 2012, the District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

3. Interfund Receivables and Payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Nonmajor Enterprise: School Nutrition	33,042

The General Fund has loaned the School Nutrition Fund money for cash flow.

4. Interfund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Debt Service Fund	Capital Projects Fund	236,906
General	Nonmajor Governmental Funds: Student Activity	1,319

These transfers moved revenues 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	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	39,301	-	-	39,301
Construction in progress	-	1,053,001	-	1,053,001
Total capital assets not being depr.	<u>39,301</u>	<u>1,053,001</u>	<u>-</u>	<u>1,092,302</u>
Capital assets being depreciated:				
Buildings	8,308,605	72,974	-	8,381,579
Improvements other than buildings	914,412	132,297	-	1,046,709
Furniture and equipment	2,645,713	85,578	68,218	2,663,073
Total capital assets being deprec.	<u>11,868,730</u>	<u>290,849</u>	<u>68,218</u>	<u>12,091,361</u>
Less accumulated depreciation for:				
Buildings	3,245,458	168,081	-	3,413,539
Improvements other than buildings	434,060	39,442	-	473,502
Furniture and equipment	2,002,025	211,628	68,218	2,145,435
Total accumulated depreciation	<u>5,681,543</u>	<u>419,151</u>	<u>68,218</u>	<u>6,032,476</u>
Total capital assets being depreciated, net	<u>6,187,187</u>	<u>(128,302)</u>	<u>-</u>	<u>6,058,885</u>
Governmental activities capital assets, net	<u>6,226,488</u>	<u>924,699</u>	<u>-</u>	<u>7,151,187</u>
Business type activities:				
Furniture and equipment	125,241	5,987	-	131,228
Less accumulated depreciation	<u>120,045</u>	<u>1,560</u>	<u>-</u>	<u>121,605</u>
Business type activities capital assets, net	<u>5,196</u>	<u>4,427</u>	<u>-</u>	<u>9,623</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	1,573
Other	552
Support services:	
Instructional staff services	150,357
Operation and maintenance of plant services	16,079
Transportation	43,067
	<u>211,628</u>
Unallocated depreciation	<u>207,523</u>
Total depreciation expense – governmental activities	<u>419,151</u>
Business type activities:	
Food services	<u>1,560</u>

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
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	2,105,000	-	315,000	1,790,000	330,000
Capital leases	271,449	-	135,332	136,117	136,117
Termination benefits	39,609	-	39,609	-	-
Net OPEB liability	66,837	37,963	-	104,800	-
Total	2,482,895	37,963	489,941	2,030,917	466,117
Business type activities:					
Net OPEB liability	7,161	4,068	-	11,229	-

General Obligation Bonds

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	4.00	330,000	66,138	396,138
2014	3.65	340,000	54,422	394,422
2015	3.70	360,000	42,013	402,013
2016	3.75	375,000	28,693	403,693
2017	3.80	385,000	14,630	399,630
		<u>1,790,000</u>	<u>205,896</u>	<u>1,995,896</u>

Capital Leases

The District has leased computers under capital leases. The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2012.

	Year Ending June 30,	Amount
		\$
	2013	136,906
Less amount representing interest		<u>789</u>
Present value of minimum lease payments		<u>136,117</u>

7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$347,446, \$287,066 and \$276,963 respectively, equal to the required contributions for each year.

8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 101 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. 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.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost 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 the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	53,630
Interest on net OPEB obligation	1,850
Adjustment to annual required contribution	<u>(4,264)</u>
Annual OPEB cost	51,216
Contributions made	<u>9,185</u>
Increase in net OPEB obligation	42,031
Net OPEB obligation beginning of year	<u>73,998</u>
Net OPEB obligation end of year	<u>116,029</u>

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

For the year ended June 30, 2012, the District contributed \$9,185 to the medical plan. Plan members eligible for benefits contributed \$21,882, or 70% 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:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	46,630	22%	36,485
June 30, 2011	47,556	21%	73,998
June 30, 2012	51,216	18%	116,029

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$367,870, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$367,870. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,830,000, and the ratio of the UAAL to covered payroll was 9.6%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

9. Risk Management

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

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$264,292 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Lease Commitment

The District entered into a five year contract to lease copiers in fiscal year 2009. The payments the District will make over the next year are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Lease Payment</u>
2013	\$ 16,533

12. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Limited English proficiency	2,501
Returning dropout and dropout prevention program	223,605
Teacher salary supplement	51,776
Home school assistance program	87,302
Educator quality, professional development	33,199
Core curriculum	46,854
At risk	69,150
Market factor	7,228
ICCC tech grant	9,307
Teacher mentoring	2,944
Administrator mentoring	750
Preschool	68,579
	<u>603,195</u>

13. Deficit Fund Balances

At June 30, 2012 the District had a \$42,225 deficit unrestricted net assets balance in the Enterprise, School Nutrition Fund.

14. Construction Commitment

The District has entered into a \$1,513,111 contract for kitchen and commons renovations. As of June 30, 2012 costs of \$881,502 had been incurred against the contract. The balance remaining at June 30, 2012 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2012

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	5,525,017	247,894	5,772,911	5,717,617	5,717,617	55,294
Intermediate sources	-	-	-	25,000	25,000	(25,000)
State sources	3,509,906	3,427	3,513,333	3,586,652	3,586,652	(73,319)
Federal sources	242,951	157,650	400,601	545,000	545,000	(144,399)
Total revenues	<u>9,277,874</u>	<u>408,971</u>	<u>9,686,845</u>	<u>9,874,269</u>	<u>9,874,269</u>	<u>(187,424)</u>
Expenditures/Expenses:						
Instruction	5,369,088	12,075	5,381,163	7,495,322	6,995,322	1,614,159
Support services	1,941,960	215	1,942,175	2,349,000	2,349,000	406,825
Non-instructional programs	6,562	403,444	410,006	439,831	439,831	29,825
Other expenditures	2,144,267	-	2,144,267	1,015,215	1,515,215	(629,052)
Total expenditures/expenses	<u>9,461,877</u>	<u>415,734</u>	<u>9,877,611</u>	<u>11,299,368</u>	<u>11,299,368</u>	<u>1,421,757</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(184,003)	(6,763)	(190,766)	(1,425,099)	(1,425,099)	1,234,333
Other financing sources (uses) net	<u>2,371</u>	<u>5,987</u>	<u>8,358</u>	<u>-</u>	<u>-</u>	<u>8,358</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(181,632)	(776)	(182,408)	(1,425,099)	(1,425,099)	1,242,691
Balance beginning of year	<u>3,235,278</u>	<u>(12,958)</u>	<u>3,222,320</u>	<u>1,566,197</u>	<u>1,566,197</u>	<u>1,656,123</u>
Balance end of year	<u>3,053,646</u>	<u>(13,734)</u>	<u>3,039,912</u>	<u>141,098</u>	<u>141,098</u>	<u>2,898,814</u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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 Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

During the year ended June 30, 2012, expenditures in the other expenditures function exceeded the amount budgeted.

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	388,098	388,098	0.0%	3,960,000	9.8%
2011	July 1, 2009	-	388,318	388,318	0.0%	3,780,000	10.3%
2012	July 1, 2009	-	367,870	367,870	0.0%	3,830,000	9.6%

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

SUPPLEMENTARY INFORMATION

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

Assets	Special Revenue Funds		Total
	Management	Student	
	Levy	Activity	
	\$	\$	\$
Cash and pooled investments	169,802	76,615	246,417
Receivables:			
Property tax:			
Delinquent	1,933	-	1,933
Succeeding year	200,000	-	200,000
Accounts	-	2,145	2,145
Total assets	371,735	78,760	450,495
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	-	6,649	6,649
Deferred revenue:			
Succeeding year property tax	200,000	-	200,000
Total liabilities	200,000	6,649	206,649
Fund balances:			
Restricted for:			
Management levy purposes	171,735	-	171,735
Student activities	-	72,111	72,111
Total fund balances	171,735	72,111	243,846
Total liabilities and fund balances	371,735	78,760	450,495

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Special Revenue Funds		Total
	Management Levy	Student Activity Fund	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	170,319	-	170,319
Other	14,050	224,786	238,836
State sources	75	-	75
Total revenues	<u>184,444</u>	<u>224,786</u>	<u>409,230</u>
Expenditures:			
Current:			
Instruction:			
Regular	71,314	-	71,314
Other	-	210,519	210,519
Support services:			
Operation and maintenance	35,742	-	35,742
Transportation	15,563	-	15,563
Non-instructional programs	6,562	-	6,562
Total expenditures	<u>129,181</u>	<u>210,519</u>	<u>339,700</u>
Excess (deficiency) of revenues over (under) expenditures	55,263	14,267	69,530
Other financing sources (uses):			
Operating transfers out	-	(1,319)	(1,319)
Net change in fund balance	55,263	12,948	68,211
Fund balances beginning of year	116,472	59,163	175,635
Fund balances end of year	<u>171,735</u>	<u>72,111</u>	<u>243,846</u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2012

	School Nutrition	Agri. Science Tech. Student Constr.	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,028	9,696	10,724
Accounts receivable	521	-	521
Inventories	8,683	9,400	18,083
Capital assets, net of accumulated depreciation	9,623	-	9,623
	<u>19,855</u>	<u>19,096</u>	<u>38,951</u>
Total assets			
Liabilities			
Accounts payable	-	228	228
Interfund payable	33,042	-	33,042
Salaries and benefits payable	2,850	-	2,850
Deferred revenue	5,336	-	5,336
Net OPEB liability	11,229	-	11,229
	<u>52,457</u>	<u>228</u>	<u>52,685</u>
Total liabilities			
Net assets			
Invested in capital assets	9,623	-	9,623
Unrestricted	(42,225)	18,868	(23,357)
	<u>(32,602)</u>	<u>18,868</u>	<u>(13,734)</u>
Total net assets			

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds

Year ended June 30, 2012

	School Nutrition \$	Agri. Science Tech. Student Constr. \$	Total \$
Operating revenue:			
Local sources:			
Charges for service	230,383	17,506	247,889
Operating expenses:			
Salaries	128,281	-	128,281
Benefits	66,063	-	66,063
Purchased services	1,872	-	1,872
Supplies	205,882	12,076	217,958
Depreciation	1,560	-	1,560
Total operating expenses	403,658	12,076	415,734
Operating income (loss)	(173,275)	5,430	(167,845)
Non-operating revenue:			
State sources	3,427	-	3,427
Federal sources	157,650	-	157,650
Interest income	5	-	5
Total non-operating revenue	161,082	-	161,082
Income (loss) before contributed capital	(12,193)	5,430	(6,763)
Capital contributions	5,987	-	5,987
Change in net assets	(6,206)	5,430	(776)
Net assets beginning of year	(26,396)	13,438	(12,958)
Net assets end of year	(32,602)	18,868	(13,734)

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2012

	School Nutrition	Agri. Science Tech. Student Constr.	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	229,393	-	229,393
Cash received from sale of services and equipment	-	18,295	18,295
Cash payments to employees for services	(190,073)	-	(190,073)
Cash payments to suppliers for goods or services	(178,626)	(12,348)	(190,974)
Net cash provided (used) by operating activities	<u>(139,306)</u>	<u>5,947</u>	<u>(133,359)</u>
Cash flows from non-capital financing activities:			
Loans from (repaid to) other funds	(1,268)	-	(1,268)
State grants received	3,427	-	3,427
Federal grants received	126,730	-	126,730
Net cash provided by non-capital financing activities	<u>128,889</u>	<u>-</u>	<u>128,889</u>
Cash flows from capital and related financing activities			
	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	5	-	5
Net increase (decrease) in cash and cash equivalents	(10,412)	5,947	(4,465)
Cash and cash equivalents at beginning of year	11,440	3,749	15,189
Cash and cash equivalents at end of year	<u>1,028</u>	<u>9,696</u>	<u>10,724</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	(173,275)	5,430	(167,845)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	30,920	-	30,920
Depreciation	1,560	-	1,560
Decrease (increase) in inventories	(1,792)	(500)	(2,292)
Decrease (increase) in accounts receivable	(58)	789	731
(Decrease) increase in accounts payable	-	228	228
(Decrease) increase in salaries and benefits payable	203	-	203
(Decrease) increase in deferred revenue	(932)	-	(932)
(Decrease) increase in other postemployment benefits	4,068	-	4,068
Net cash provided (used) by operating activities	<u>(139,306)</u>	<u>5,947</u>	<u>(133,359)</u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash and pooled investments	382,264	135,563	517,827
Receivables:			
Property tax:			
Delinquent	-	2,838	2,838
Succeeding year	-	337,925	337,925
Due from other governments	141,891	20,553	162,444
Total assets	<u>524,155</u>	<u>496,879</u>	<u>1,021,034</u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	404,658	636	405,294
Deferred revenue:			
Succeeding year property tax	-	337,925	337,925
Other	-	20,553	20,553
Total liabilities	<u>404,658</u>	<u>359,114</u>	<u>763,772</u>
Fund balances:			
Restricted for:			
School infrastructure	119,497	-	119,497
Physical plant and equipment	-	137,765	137,765
Total fund balances	<u>119,497</u>	<u>137,765</u>	<u>257,262</u>
Total liabilities and fund balances	<u>524,155</u>	<u>496,879</u>	<u>1,021,034</u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	518,407	266,531	784,938
Other	1,605	17,588	19,193
State sources	-	110	110
Total revenues	<u>520,012</u>	<u>284,229</u>	<u>804,241</u>
Expenditures:			
Current:			
Support services:			
Operation and maintenance of plant	-	6,000	6,000
Transportation services	-	85,578	85,578
Other expenditures:			
Facilities acquisition	1,095,638	252,844	1,348,482
Total expenditures	<u>1,095,638</u>	<u>344,422</u>	<u>1,440,060</u>
Excess (deficiency) of revenues over (under) expenditures	(575,626)	(60,193)	(635,819)
Other financing sources (uses):			
Operating transfers out	<u>(236,906)</u>	-	<u>(236,906)</u>
Net change in fund balance	(812,532)	(60,193)	(872,725)
Fund balances beginning of year	<u>932,029</u>	<u>197,958</u>	<u>1,129,987</u>
Fund balance end of year	<u><u>119,497</u></u>	<u><u>137,765</u></u>	<u><u>257,262</u></u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	Balance	Revenues	Expenditures	Balance End
	Beginning of Year			of Year
	\$	\$	\$	\$
Dramatics	1,009	260	1,051	218
FFA	6,959	24,778	24,757	6,980
Technology club	120	-	-	120
Student council	353	8,486	6,815	2,024
National Honor Society	5	256	94	167
Spanish club	286	-	-	286
Yearbook	9,785	13,401	17,382	5,804
Hamilton holidays	9,438	5,609	4,886	10,161
Athletics	3,061	82,223	85,257	27
Concessions	7,090	37,754	36,453	8,391
Dance/drill team	8,932	24,674	8,013	25,593
District football	121	506	-	627
Class of 2012	-	1,828	1,645	183
Class of 2011	244	-	-	244
Swing choir	48	-	-	48
H.S. band	1,510	200	150	1,560
Elementary vocal	300	145	143	302
K-6 student council	4,045	3,174	1,958	5,261
5th grade concessions	294	1,023	452	865
M.S. band	193	-	-	193
7-8 student council	1,903	2,535	2,619	1,819
Springbrook trip	-	1,737	1,737	-
Prom	3,281	16,158	18,263	1,176
Interest	186	39	163	62
	<u>59,163</u>	<u>224,786</u>	<u>211,838</u>	<u>72,111</u>
Total				

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	4,361,628	4,203,552	3,922,867	3,537,132	3,263,863	3,240,909	3,067,266	2,885,750	2,917,977
Tuition	674,172	720,069	740,360	747,184	887,860	721,140	236,917	319,458	317,993
Other	489,217	337,164	382,554	342,392	423,066	455,173	312,855	300,947	297,132
Intermediate sources	-	-	-	15,000	-	-	-	-	-
State sources	3,509,906	3,376,952	2,849,470	3,582,950	3,598,523	3,295,233	3,132,214	2,921,344	2,590,845
Federal sources	242,951	383,093	680,482	317,092	226,821	212,030	158,562	178,751	152,129
Total revenues	<u>9,277,874</u>	<u>9,020,830</u>	<u>8,575,733</u>	<u>8,541,750</u>	<u>8,400,133</u>	<u>7,924,485</u>	<u>6,907,814</u>	<u>6,606,250</u>	<u>6,276,076</u>
Expenditures:									
Instruction:									
Regular instruction	3,373,238	3,337,213	3,209,892	3,317,658	3,475,832	3,252,168	2,766,224	2,490,516	2,399,336
Special instruction	897,540	931,297	927,939	1,006,863	912,705	758,079	588,247	620,431	824,936
Other instruction	1,098,310	943,253	1,000,916	923,812	924,604	871,040	866,266	802,457	616,770
Support services:									
Student services	107,792	102,373	100,752	89,126	117,465	131,019	127,515	133,739	127,009
Instructional staff services	281,135	282,160	176,375	143,776	186,406	154,803	172,749	182,771	175,952
Administration services	649,012	604,310	577,836	611,443	617,842	596,473	621,724	600,986	585,665
Operation and maintenance	533,901	574,871	595,323	565,863	580,907	605,204	536,343	451,596	423,233
Transportation services	370,120	342,760	317,836	434,402	380,207	385,830	350,990	285,321	335,534
Non-instructional programs	6,562	-	-	-	2,973	-	-	-	5,337
Other expenditures:									
Facilities acquisition	1,348,482	228,281	239,073	651,266	542,784	174,814	467,133	260,552	113,523
Long-term debt:									
Principal	450,332	434,551	431,767	281,782	312,668	284,930	277,040	228,476	211,655
Interest and other charges	81,161	93,443	103,027	114,103	127,524	166,885	178,287	188,023	196,715
AEA flowthrough	264,292	292,000	289,465	269,863	257,585	246,409	230,051	218,517	217,041
Total expenditures	<u>9,461,877</u>	<u>8,166,512</u>	<u>7,970,201</u>	<u>8,409,957</u>	<u>8,439,502</u>	<u>7,627,654</u>	<u>7,182,569</u>	<u>6,463,385</u>	<u>6,232,706</u>

See accompanying independent auditor's report.

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

To the Board of Education of
South Hamilton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of South Hamilton Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 18, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of South Hamilton Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered South Hamilton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Hamilton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of South Hamilton 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 Responses, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 12-I-A and 12-I-B to be material weaknesses.

Compliance and Other Matters

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

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.

South Hamilton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit South Hamilton 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 South Hamilton Community School District and other parties to whom South Hamilton Community School District may report, and is not intended to be and should not be used by anyone other than these specified parties.

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

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 18, 2013

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

12-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, payroll processing, preparation and posting of general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

12-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

12-II-A Certified Budget: Expenditures for the year ended June 30, 2012, exceeded the certified budget amount in the other expenditures function.

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

District Response: We did amend our budget but year-end expenditures for construction were more than anticipated.

Conclusion: Response accepted.

12-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

12-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted.

12-II-D Business Transactions: We noted the following transactions between the District and District officials or employees.

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Marie Johnson, board member	Substitute teacher	675
Marvin Ness, board member	Bus driver	983
Will Johnston, board member	Officer at local bank	

Recommendation: Business with district officials is not a conflict of interest if bids are taken or total amount is less than \$2,500. The District should be aware of any potential conflicts of interest with banking activities.

District Response: We will consult with our attorney if any potential conflicts of interest arise.

Conclusion: Response accepted.

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

12-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

12-II-G Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education for Certified Enrollment for October 2011, was overstated by one student. I

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

District Response: We have contacted these departments.

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting (continued):

Conclusion: Response accepted.

- 12-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 12-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 12-II-J Certified Annual Report: The Certified Annual Report was certified timely with the Iowa Department of Education.
- 12-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 12-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

	\$	\$
Beginning balance		932,029
Revenues/transfers in:		
Statewide sales, services and use tax revenue	518,407	
Interest	1,605	520,012
Expenditures/transfers out:		
School infrastructure	1,061,177	
Equipment	34,461	
Transfers to debt service fund	236,906	1,332,544
Ending balance		119,497

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

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting (continued):

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	<u>\$</u>	<u>\$</u>
Debt service levy	.406196	100,000
12-II-M	<p><u>Deficit Balances:</u> The School Nutrition Fund has an unrestricted net assets deficit of \$42,225 at June 30, 2012.</p> <p><u>Recommendation:</u> The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.</p> <p><u>District Response:</u> We are working on ways to eliminate the deficit.</p> <p><u>Conclusion:</u> Response accepted.</p>	