

HAMBURG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Hamburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Steven Stenzel	President	2015
Hillary Christiansen	Vice-President	2013
Susan Harris	Board Member	2015
David Mincer	Board Member	2015
Greg Warden	Board Member	2013
School Officials		
Jay Lutt	Superintendent	2013
Gloria McComb	District Treasurer/ Business Manager	2013
Ahlers & Cooney, P.C.	Attorney	2013

Hamburg Community School District

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

INDEPENDENT AUDITORS REPORT

To the Board of Education of the Hamburg School District:

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Hamburg Community School District, Hamburg, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Hamburg Community School District at June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information.

U.S generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hamburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2014, on our consideration of the Hamburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hamburg Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hamburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,999,728 in fiscal 2012 to \$3,454,124 in fiscal 2013, while General Fund expenditures decreased from \$3,526,487 in fiscal 2012 to \$3,433,221 in fiscal 2013. This resulted in an increase in the District's General Fund balance from \$688,626 in fiscal 2012 to a balance of \$709,529 in fiscal 2013, a 3.04% increase from the prior year.
- The decrease in General Fund revenues was attributable to the District receiving less in state source revenue during fiscal year 2013. The decrease in expenditures was due primarily to the decrease in expenditures in the instruction functional area.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Hamburg Community School District Annual Financial Report

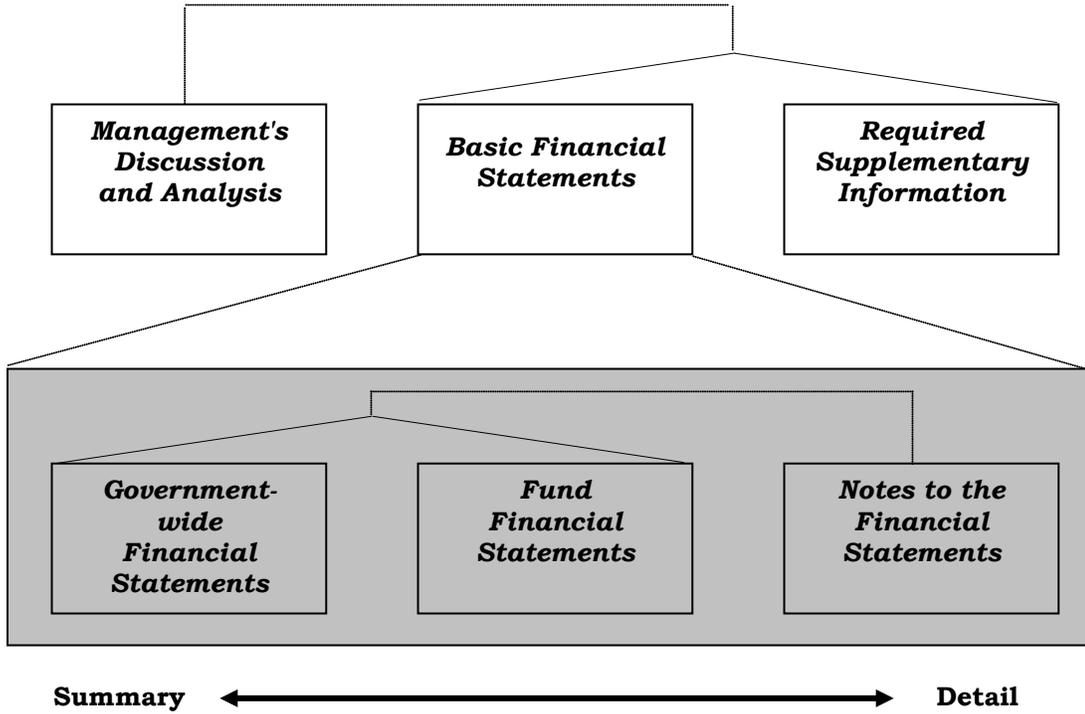


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position 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 position and how they have changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 3,956,351	4,380,510	18,731	23,774	3,975,082	4,404,284	-9.75%
Capital assets	1,368,134	1,218,794	40,354	46,455	1,408,488	1,265,249	11.32%
Total assets	<u>5,324,485</u>	<u>5,599,304</u>	<u>59,085</u>	<u>70,229</u>	<u>5,383,570</u>	<u>5,669,533</u>	<u>-5.04%</u>
Long-term liabilities	51,777	100,439	40	829	51,817	101,268	-48.83%
Other liabilities	2,548,672	2,715,194	73,537	74,321	2,622,209	2,789,515	-6.00%
Total liabilities	<u>2,600,449</u>	<u>2,815,633</u>	<u>73,577</u>	<u>75,150</u>	<u>2,674,026</u>	<u>2,890,783</u>	<u>-7.50%</u>
Net position:							
Invested in capital assets	1,368,134	1,218,794	40,354	46,455	1,408,488	1,265,249	11.32%
Restricted	864,418	1,132,544	-	-	864,418	1,132,544	-23.67%
Unrestricted	491,484	432,333	(54,846)	(51,376)	436,638	380,957	14.62%
Total net position	<u>\$ 2,724,036</u>	<u>2,783,671</u>	<u>(14,492)</u>	<u>(4,921)</u>	<u>2,709,544</u>	<u>2,778,750</u>	<u>-2.49%</u>

The District's combined net position decreased by 2.49%, or \$69,206, from the prior year. A portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment).

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$268,126, or 23.67% from the prior year. The decrease in restricted net position can be attributed to the decrease in the Capital Projects: Physical Plant and Equipment Levy Fund balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$55,681, or 14.62%. This increase in unrestricted net position was primarily a result of the increase in the General Fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to June 30, 2012.

	Figure A-4						
	Changes of Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 414,589	905,311	44,315	54,405	458,904	959,716	-52.18%
Operating grants and contributions and restricted interest	356,176	272,727	94,639	93,401	450,815	366,128	23.13%
Capital grants, contributions and restricted interest	-	-	-	3,249	-	3,249	-100.00%
General revenues:							
Property tax	1,685,783	1,577,262	-	-	1,685,783	1,577,262	6.88%
Income surtax	67,775	60,592	-	-	67,775	60,592	11.85%
Statewide sales, services and use tax	209,118	153,777	-	-	209,118	153,777	35.99%
Nonspecific program federal grants	-	845	-	-	-	845	-100.00%
Unrestricted state grants	1,105,352	1,289,164	-	-	1,105,352	1,289,164	-14.26%
Unrestricted investment earnings	144	487	2	73	146	560	-73.93%
Other	22,461	10,314	1,393	1,509	23,854	11,823	101.76%
Total revenues	3,861,398	4,270,479	140,349	152,637	4,001,747	4,423,116	-9.53%
Program expenses:							
Instructional	2,425,244	2,583,172	-	-	2,425,244	2,583,172	-6.11%
Support services	1,305,929	1,008,144	1,443	-	1,307,372	1,008,144	29.68%
Non-instructional programs	-	-	148,477	155,484	148,477	155,484	-4.51%
Other expenditures	189,860	159,246	-	-	189,860	159,246	19.22%
Total expenses	3,921,033	3,750,562	149,920	155,484	4,070,953	3,906,046	4.22%
Change in net position	(59,635)	519,917	(9,571)	(2,847)	(69,206)	517,070	-113.38%
Net position beginning of year	2,783,671	2,263,754	(4,921)	(2,074)	2,778,750	2,261,680	22.86%
Net position end of year	\$ 2,724,036	2,783,671	(14,492)	(4,921)	2,709,544	2,778,750	-2.49%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 79.45% of the revenue from governmental activities while charges for services and operating grants and contributions and restricted interest account for 99.01% of the revenue from business type activities.

The District's total revenues were approximately \$4.00 million of which \$3.86 million was for governmental activities and \$0.14 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.53% decrease in revenues and a 4.22% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$3,861,398 and expenses were \$3,921,033 for the year ended June 30, 2013.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 2,425,244	2,583,172	-6.11%	1,759,046	1,509,676	16.52%
Support services	1,305,929	1,008,144	29.54%	1,300,971	1,004,244	29.55%
Other expenses	189,860	159,246	19.22%	90,251	58,604	54.00%
Totals	\$ 3,921,033	3,750,562	4.55%	3,150,268	2,572,524	22.46%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$414,589.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$356,176.
- The net cost of governmental activities was financed with \$1,685,783 in property tax, \$67,775 in income surtax, \$209,118 in statewide sales, services and use tax, \$1,105,352 in unrestricted state grants, \$144 in interest income and \$22,461 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$140,349 and expenses were \$149,920 for the year ended June 30, 2013. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,345,937, below last year's ending fund balances of \$1,611,616. However, the primary reason for the decrease in combined fund balances in fiscal 2013 is due to a decrease in the Capital Projects: Physical Plant and Equipment Levy Fund balance.

Governmental Fund Highlights

- The District's General Fund balance increased from a balance of \$688,626 at June 30, 2012 to \$709,529 at June 30, 2013. The primary reason for the increase in fund balance was an increase in local tax and federal source revenues received as compared to the previous year.

- The Management Levy Fund balance decreased from \$33,478 at June 30, 2012 to \$14,697 at June 30, 2013. The primary reason for the decrease in fund balance is an increase in support service expenditures as compared to the previous year.
- The Capital Projects Fund balance decreased from \$903,255 in fiscal 2012 to \$633,045 in fiscal 2013. This decrease was due primarily to a decrease in the Capital Projects: Physical Plant and Equipment Levy Fund balance.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from a deficit balance of \$4,921 at June 30, 2012 to a deficit balance of \$14,492 at June 30, 2013, representing a decrease of 194.49%. A contributing factor to this decrease in the School Nutrition Fund net position was a decrease in local source revenues as compared to the prior year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$452,533 more than budgeted revenues, a variance of 12.78%. The most significant variance resulted from the District receiving more in local source revenues than originally anticipated.

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

In spite of the District's budgetary practice, expenditures in the non-instructional programs functional area exceeded the amount budgeted and the District also exceeded its General Fund unspent authorized budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$1,408,488, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$140,645.

The original cost of the District's capital assets was \$4,354,574. Governmental funds account for \$4,263,604 with the remainder of \$90,970 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2013, compared to \$408,151 reported at June 30, 2012. This decrease was the result of the District completing work on a new HVAC project during the year and capitalizing it as part of the District's capital asset listing.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 42,707	42,707	-	-	42,707	42,707	0.00%
Construction in progress	-	408,151	-	-	-	408,151	-100.00%
Buildings	1,105,949	555,393	-	-	1,105,949	555,393	49.78%
Land improvements	84,038	91,923	-	-	84,038	91,923	-9.38%
Machinery and equipment	135,440	120,620	40,354	46,455	175,794	167,075	4.96%
Total	\$ 1,368,134	1,218,794	40,354	46,455	1,408,488	1,265,249	11.32%

Long-Term Debt

At June 30, 2013, the District had \$51,817 in other long-term debt outstanding. This represents a decrease of 48.83% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding termination benefits payable of \$1,819 from the Special Revenue, Management Fund at June 30, 2013.

The District had a net OPEB liability of \$49,998 as of June 30, 2013. The District's governmental activities account for \$49,958 of this total while the District's business type activities account for the remaining \$40.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Termination benefits	1,819	60,133	-	-	1,819	60,133	-96.98%
Net OPEB obligation	49,958	40,306	40	829	49,998	41,135	21.55%
Total	\$ 51,777	100,439	40	829	51,817	101,268	-48.83%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- On July 1, 2013, the IPERS increase to 8.93% will increase the Hamburg Community Schools employer benefits costs during fiscal 2014.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gloria McComb, Business Manager, Hamburg Community School District, 105 E Street, Hamburg, Iowa, 51640.

Basic Financial Statements

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,861,202	11,934	1,873,136
Receivables:			
Property tax:			
Delinquent	21,102	-	21,102
Succeeding year	1,648,171	-	1,648,171
Income surtax	60,752	-	60,752
Accounts	62	1,527	1,589
Due from other funds	69,830	433	70,263
Due from other governments	295,232	3,975	299,207
Inventories	-	862	862
Capital assets, net of accumulated depreciation	1,368,134	40,354	1,408,488
TOTAL ASSETS	5,324,485	59,085	5,383,570
LIABILITIES			
Due to other funds	433	69,830	70,263
Accounts payable	631,733	631	632,364
Salaries and benefits payable	268,335	3,076	271,411
Deferred revenue:			
Succeeding year property tax	1,648,171	-	1,648,171
Long-term liabilities:			
Portion due within one year:			
Termination benefits payable	1,819	-	1,819
Portion due after one year:			
Net OPEB Liability	49,958	40	49,998
TOTAL LIABILITIES	2,600,449	73,577	2,674,026
NET POSITION			
Invested in capital assets	1,368,134	40,354	1,408,488
Restricted for:			
Categorical funding	182,602	-	182,602
Management levy purposes	12,878	-	12,878
Student activities	28,689	-	28,689
School infrastructure	640,249	-	640,249
Unassigned	491,484	(54,846)	436,638
TOTAL NET POSITION	\$ 2,724,036	(14,492)	2,709,544

SEE NOTES TO FINANCIAL STATEMENTS.

**HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,700,579	329,383	90,578	(1,280,618)	-	(1,280,618)
Special	496,512	55,426	14,108	(426,978)	-	(426,978)
Other	228,153	29,780	146,923	(51,450)	-	(51,450)
	<u>2,425,244</u>	<u>414,589</u>	<u>251,609</u>	<u>(1,759,046)</u>	<u>-</u>	<u>(1,759,046)</u>
Support services:						
Student	75,257	-	-	(75,257)	-	(75,257)
Instructional staff	77,143	-	4,958	(72,185)	-	(72,185)
Administration	489,741	-	-	(489,741)	-	(489,741)
Operation and maintenance of plant	462,536	-	-	(462,536)	-	(462,536)
Transportation	201,252	-	-	(201,252)	-	(201,252)
	<u>1,305,929</u>	<u>-</u>	<u>4,958</u>	<u>(1,300,971)</u>	<u>-</u>	<u>(1,300,971)</u>
Other expenditures:						
AEA flowthrough	99,609	-	99,609	-	-	-
Depreciation(unallocated)*	90,251	-	-	(90,251)	-	(90,251)
	<u>189,860</u>	<u>-</u>	<u>99,609</u>	<u>(90,251)</u>	<u>-</u>	<u>(90,251)</u>
Total governmental activities	<u>3,921,033</u>	<u>414,589</u>	<u>356,176</u>	<u>(3,150,268)</u>	<u>-</u>	<u>(3,150,268)</u>
Business type activities:						
Support services:						
Administration	374	-	-	-	(374)	(374)
Operation and maintenance of plant	1,069	-	-	-	(1,069)	(1,069)
	<u>1,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,443)</u>	<u>(1,443)</u>
Non-instructional programs:						
Nutrition services	148,477	44,315	94,639	-	(9,523)	(9,523)
Total business type activities	<u>149,920</u>	<u>44,315</u>	<u>94,639</u>	<u>-</u>	<u>(10,966)</u>	<u>(10,966)</u>
Total	<u>\$ 4,070,953</u>	<u>458,904</u>	<u>450,815</u>	<u>(3,150,268)</u>	<u>(10,966)</u>	<u>(3,161,234)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,646,077	-	1,646,077
Capital outlay				39,706	-	39,706
Income surtax				67,775	-	67,775
Statewide sales, services and use tax				209,118	-	209,118
Unrestricted state grants				1,105,352	-	1,105,352
Unrestricted investment earnings				144	2	146
Other				22,461	1,393	23,854
Total general revenues				<u>3,090,633</u>	<u>1,395</u>	<u>3,092,028</u>
Change in net position				(59,635)	(9,571)	(69,206)
Net position beginning of year				2,783,671	(4,921)	2,778,750
Net position end of year				<u>\$ 2,724,036</u>	<u>(14,492)</u>	<u>2,709,544</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Management Levy	Capital Projects	Nonmajor: Student Activity	Total
ASSETS					
Cash and pooled investments	\$ 1,199,111	13,437	629,644	18,020	1,860,212
Receivables:					
Property tax:					
Delinquent	19,389	1,260	453	-	21,102
Succeeding year	993,824	499,999	154,348	-	1,648,171
Income surtax	60,752	-	-	-	60,752
Due from other funds	99,380	-	359	-	99,739
Accounts	62	-	-	-	62
Due from other governments	255,761	-	39,471	-	295,232
TOTAL ASSETS	\$ 2,628,279	514,696	824,275	18,020	3,985,270
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ 792	-	1,068	28,482	30,342
Accounts payable	595,047	-	35,814	872	631,733
Salaries and benefits payable	268,335	-	-	-	268,335
Deferred revenue:					
Succeeding year property tax	993,824	499,999	154,348	-	1,648,171
Income surtax	60,752	-	-	-	60,752
Total liabilities	1,918,750	499,999	191,230	29,354	2,639,333
Fund balances:					
Restricted for:					
Categorical funding	182,602	-	-	-	182,602
Management levy purposes	-	14,697	-	-	14,697
Student activities	-	-	-	28,689	28,689
School infrastructure	-	-	640,249	-	640,249
Unassigned:					
General	526,927	-	-	-	526,927
Student activities	-	-	-	(40,023)	(40,023)
Physical plant and equipment	-	-	(7,204)	-	(7,204)
Total fund balances	709,529	14,697	633,045	(11,334)	1,345,937
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,628,279	514,696	824,275	18,020	3,985,270

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$	1,345,937
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,368,134
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		990
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		60,752
Long-term liabilities, including termination benefits payable and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(51,777)</u>
Net position of governmental activities(page 18)	\$	<u><u>2,724,036</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Management Levy	Capital Projects	Nonmajor: Student Activity	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,606,215	100,372	248,824	-	1,955,411
Tuition	377,168	-	-	-	377,168
Other	41,270	1,236	61	49,516	92,083
State sources	1,252,773	-	-	-	1,252,773
Federal sources	176,698	-	-	-	176,698
Total revenues	<u>3,454,124</u>	<u>101,608</u>	<u>248,885</u>	<u>49,516</u>	<u>3,854,133</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,653,473	59,419	47,933	-	1,760,825
Special	495,494	-	-	-	495,494
Other	199,385	-	-	47,054	246,439
	<u>2,348,352</u>	<u>59,419</u>	<u>47,933</u>	<u>47,054</u>	<u>2,502,758</u>
Support services:					
Student	73,122	-	-	-	73,122
Instructional staff	74,723	-	2,720	-	77,443
Administration services	461,236	40,222	-	-	501,458
Operation and maintenance of plant	203,181	17,164	83,674	53	304,072
Transportation	172,998	3,584	435	-	177,017
	<u>985,260</u>	<u>60,970</u>	<u>86,829</u>	<u>53</u>	<u>1,133,112</u>
Capital outlay	-	-	384,333	-	384,333
Other expenditures:					
AEA flowthrough	99,609	-	-	-	99,609
Total expenditures	<u>3,433,221</u>	<u>120,389</u>	<u>519,095</u>	<u>47,107</u>	<u>4,119,812</u>
Change in fund balances	20,903	(18,781)	(270,210)	2,409	(265,679)
Fund balance beginning of year	<u>688,626</u>	<u>33,478</u>	<u>903,255</u>	<u>(13,743)</u>	<u>1,611,616</u>
Fund balance end of year	<u>\$ 709,529</u>	<u>14,697</u>	<u>633,045</u>	<u>(11,334)</u>	<u>1,345,937</u>

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 22) \$ (265,679)

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

Capital outlay 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:

Capital outlay	\$ 283,884	
Depreciation expense	<u>(134,544)</u>	149,340

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.	7,265
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Net change in Internal Service Fund charged back against expenditures made for flexible spending benefits at an entity-wide basis.	777
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Other postemployment benefits	(9,652)	
Termination benefits payable	<u>58,314</u>	<u>48,662</u>

Change in net position of governmental activities(page 19) \$ (59,635)

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
ASSETS		
Cash and cash equivalents	\$ 11,934	990
Accounts receivable	1,527	-
Due from other governments	3,975	-
Due from other funds	433	-
Inventories	862	-
Capital assets, net of accumulated depreciation	40,354	-
TOTAL ASSETS	59,085	990
LIABILITIES		
Due to other funds	69,830	-
Accounts payable	631	-
Salaries and benefits payable	3,076	-
Net OPEB liability	40	-
TOTAL LIABILITIES	73,577	-
NET POSITION		
Invested in capital assets	40,354	-
Unrestricted	(54,846)	990
TOTAL NET POSITION	\$ (14,492)	990

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 44,315	-
Miscellaneous	1,393	1,580
TOTAL OPERATING REVENUES	45,708	1,580
OPERATING EXPENSES:		
Support services:		
Administration:		
Benefits	-	803
Services	374	-
Operation and maintenance of plant:		
Services	1,069	-
Total support services	1,443	803
Non-instructional programs:		
Food service operations:		
Salaries	46,344	-
Benefits	6,605	-
Supplies	89,427	-
Depreciation	6,101	-
Total non-instructional programs	148,477	-
Total operating expenses	149,920	803
OPERATING INCOME(LOSS)	(104,212)	777
NON-OPERATING REVENUES:		
State sources	1,325	-
Federal sources	93,314	-
Interest income	2	-
TOTAL NON-OPERATING REVENUES	94,641	-
Change in net position	(9,571)	777
Net position beginning of year	(4,921)	213
Net position end of year	\$ (14,492)	990

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 43,275	-
Cash received from miscellaneous operating activities	1,393	1,580
Cash payments to employees for services	(55,153)	(803)
Cash payments to suppliers for goods or services	(83,182)	-
Net cash provided by(used in) operating activities	(93,667)	777
Cash flows from non-capital financing activities:		
State grants received	1,325	-
Federal grants received	87,270	-
Net cash provided by non-capital financing activities	88,595	-
Cash flows from investing activities:		
Interest on investments	2	-
Net increase(decrease) in cash and cash equivalents	(5,070)	777
Cash and cash equivalents at beginning of year	17,004	213
Cash and cash equivalents at end of year	\$ 11,934	990
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (104,212)	777
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities used	4,965	-
Depreciation	6,101	-
Decrease in inventories	2,092	-
Increase in accounts receivable	(1,040)	-
Increase in accounts payable	631	-
Decrease in salaries and benefits payable	(1,415)	-
Decrease in other postemployment benefits	(789)	-
Net cash provided by(used in) operating activities	\$ (93,667)	777

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$4,965.

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2013

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 33,244
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for scholarships	34,091
Unrestricted	(847)
TOTAL NET POSITION	<u>\$ 33,244</u>

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2013

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ADDITIONS:	
Local sources:	
Gifts and contributions	\$ 40
Interest income	4
TOTAL ADDITIONS	<u> 44</u>
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	<u> 5,500</u>
Change in net position	(5,456)
Net position beginning of year	<u> 38,700</u>
Net position end of year	<u><u> \$ 33,244</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1. Summary of Significant Accounting Policies

The Hamburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Hamburg, Iowa, and the predominate agricultural territory of Fremont County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the activities of the District, with omission of the fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are 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 receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Levy Fund is utilized to account for the revenues and expenses of unemployment benefits, termination benefits, and insurance agreements relating to such liabilities.

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

The District also reports the following non-major proprietary funds:

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

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary fund is 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 measureable and available only when cash is received by the District.

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise 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 Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balance 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, they have a maturity date no longer than three months.

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

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Due from Other Governments - Due from other governments represents the 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 governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, equipment, and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenues consist of unspent federal 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 Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in the non-instructional programs functional area exceeded the budgeted amount and the District also exceeded its General Fund unspent authorized budget.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 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, 2013 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligation Portfolio which are valued at an amortized cost of \$479,885 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Nutrition	\$ 69,830
School Nutrition	General Fund	433
Capital Projects: Physical Plant and Equipment Levy	General Fund	359
General Fund	Capital Projects: Physical Plant and Equipment Levy	1,068
General Fund	Special Revenue: Student Activity	28,482
Total		<u>\$ 100,172</u>

The Enterprise: School Nutrition Fund is repaying the General Fund for money borrowed to pay salaries and benefits in a prior period.

The General Fund is repaying the Nutrition Fund for supplies that were paid from the School Nutrition Fund in a prior period.

The General Fund is repaying the Capital Projects: Physical Plant and Equipment Levy Fund for routine maintenance expenses originally purchased from the Capital Projects: Physical Plant and Equipment Levy Fund in a prior period.

The Capital Projects: Physical Plant and Equipment Levy Fund is repaying the General Fund for technology equipment originally purchased from the General Fund in a prior period.

The Special Revenue: Student Activity Fund is repaying the General Fund for salaries and benefits paid and not transferred in a prior period.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 90,970	-	-	90,970
Less accumulated depreciation	44,515	6,101	-	50,616
Business type activities capital assets, net	<u>\$ 46,455</u>	<u>(6,101)</u>	<u>-</u>	<u>40,354</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 42,707	-	-	42,707
Construction in progress	408,151	219,670	627,821	-
Total capital assets not being depreciated	450,858	219,670	627,821	42,707
Capital assets being depreciated:				
Buildings	2,100,979	632,922	-	2,733,901
Land improvements	307,804	-	-	307,804
Machinery and equipment	1,120,079	59,113	-	1,179,192
Total capital assets being depreciated	3,528,862	692,035	-	4,220,897
Less accumulated depreciation for:				
Buildings	1,545,586	82,366	-	1,627,952
Land improvements	215,881	7,885	-	223,766
Machinery and equipment	999,459	44,293	-	1,043,752
Total accumulated depreciation	2,760,926	134,544	-	2,895,470
Total capital assets being depreciated, net	767,936	557,491	-	1,325,427
Governmental activities capital assets, net	\$ 1,218,794	777,161	627,821	1,368,134

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 8,996
Special	1,049
Other	3,879
Support services:	
Administration	5,338
Operation and maintenance of plant	727
Transportation	24,304
	44,293
Unallocated depreciation	90,251
Total governmental activities depreciation expense	\$ 134,544
Business type activities:	
Food services	\$ 6,101

Note 5. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Termination benefits	\$ 60,133	-	58,314	1,819	1,819
Net OPEB liability	40,306	9,652	-	49,958	-
Total	<u>\$ 100,439</u>	<u>9,652</u>	<u>58,314</u>	<u>51,777</u>	<u>1,819</u>
Business type activities:					
Net OPEB liability	\$ 829	-	789	40	-

Termination Benefits(Early Retirement)

The District offered a voluntary early retirement plan to certified employees during fiscal 2012. Eligible employees must have been at least age fifty-five and employees must have completed an application which is required to be approved by the Board of Education.

The District will pay health insurance benefits until the retiree reaches age sixty-five. At June 30, 2013, the District has obligations to one participant with a total liability of \$1,819. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$58,314. The costs of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

Note 6. 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 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$129,102, \$115,119 and \$109,327, respectively, equal to the required contributions for each year.

Note 7. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical, prescription drug and dental benefits for employees, retirees, and their spouses. There are 12 active and 1 retired members in the plan. Employees must be age 55 or older at retirement and have ten or more years of service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Iowa School Employee Benefits Association. 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 of the District (ARC), 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 June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 14,182
Interest on net OPEB obligation	1,028
Adjustment to annual required contribution	(3,283)
Annual OPEB cost	<u>11,927</u>
Contributions made	<u>(3,064)</u>
Increase in net OPEB obligation	8,863
Net OPEB obligation beginning of year	<u>41,135</u>
Net OPEB obligation end of year	<u><u>\$ 49,998</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$3,064 to the medical plan.

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, 2013 is summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 20,996	48.76%	\$ 22,070
2012	21,596	11.72%	41,135
2013	11,927	25.69%	49,998

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$96,853 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$96,853. The covered payroll (annual payroll of active employees covered by the plan) was \$849,681 and the ratio of the UAAL to covered payroll was 11.40%. As of June 30, 2013, 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, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

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

Note 8. Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), and Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical and dental insurance. District contributions to ISEBA for the year ended June 30, 2013 were \$194,992.

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

Note 9. 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 \$99,609 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Programs	Amount
Limited English Proficiency Weighting	\$ 10,086
Home School Assistance Program	3,525
Weighted At-Risk Programs	4,436
Droupout and Dropout Prevention	117,860
Market Factor	566
Four-year old Preschool	5,645
Professional Development for Model Core Curriculum	5,259
Professional Development	9,910
Market Factor Grants	22,931
Market Factor Incentives	2,384
Total	<u>\$ 182,602</u>

Note 11. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2013, expenditures in the non-instructional programs functional area exceeded the amount budgeted and the District exceeded its General Fund unspent authorized budget.

Note 12. Deficit Fund Balance/Net Position

The District had six accounts with a combined deficit unassigned fund balance of \$40,023 and a total deficit fund balance of \$11,334 in the Special Revenue: Student Activity Fund. The District also had a deficit fund balance of \$7,204 in the Capital Projects: Physical Plant and Equipment Levy Fund. In addition, the District had deficit unrestricted net position of \$54,846 in the Enterprise, School Nutrition Fund and a total deficit net position of \$14,492. The District also had a deficit unrestricted net position of \$847 in the Private Purpose Trust Fund.

Note 13. Reconciliation of Governmental Fund Balances to Net Position

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

	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ 14,697	526,927
Termination benefits	(1,819)	-
Income surtax receivable	-	60,752
Internal service fund	-	990
Net OPEB liability	-	(49,958)
Unassigned for student activities	-	(40,023)
Unassigned for school infrastructure	-	(7,204)
Net position (Exhibit A)	<u>\$ 12,878</u>	<u>491,484</u>

Hamburg Community School District

Required Supplementary Information

HAMBURG 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, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual	Actual			Variance
Revenues:						
Local sources	\$ 2,424,662	45,710	2,470,372	2,094,790	2,094,790	375,582
State sources	1,252,773	1,325	1,254,098	1,321,159	1,321,159	(67,061)
Federal sources	176,698	93,314	270,012	126,000	126,000	144,012
Total revenues	3,854,133	140,349	3,994,482	3,541,949	3,541,949	452,533
Expenditures/Expenses:						
Instruction	2,502,758	-	2,502,758	2,572,000	2,572,000	69,242
Support services	1,133,112	1,443	1,134,555	1,259,000	1,259,000	124,445
Non-instructional programs	-	148,477	148,477	145,000	145,000	(3,477)
Other expenditures	483,942	-	483,942	806,275	806,275	322,333
Total expenditures/expenses	4,119,812	149,920	4,269,732	4,782,275	4,782,275	512,543
Deficiency of revenues under expenditures/expenses	(265,679)	(9,571)	(275,250)	(1,240,326)	(1,240,326)	965,076
Balance beginning of year	1,611,616	(4,921)	1,606,695	2,024,381	2,024,381	(417,686)
Balance end of year	\$ 1,345,937	(14,492)	1,331,445	784,055	784,055	547,390

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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

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

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

During the year ended June 30, 2013, expenditures in the non-instructional programs functional area exceeded the amount budgeted and the District exceeded its General Fund unspent authorized budget.

HAMBURG 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	\$ -	\$ 200,031	\$ 200,031	0.00%	\$ 1,767,181	11.32%
2011	July 1, 2009	-	185,940	185,940	0.00%	1,425,726	13.04%
2012	July 1, 2009	-	157,905	157,905	0.00%	922,195	17.12%
2013	July 1, 2012	-	96,853	96,853	0.00%	849,681	11.40%

See Note 7 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

HAMBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 604,504	25,140	629,644
Receivables:			
Property tax:			
Delinquent	-	453	453
Succeeding year	-	154,348	154,348
Due from other funds	-	359	359
Due from other governments	39,471	-	39,471
TOTAL ASSETS	\$ 643,975	180,300	824,275
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ -	1,068	1,068
Accounts payable	3,726	32,088	35,814
Deferred revenue:			
Succeeding year property tax	-	154,348	154,348
Total liabilities	3,726	187,504	191,230
Fund balances:			
Restricted for:			
School infrastructure	640,249	-	640,249
Unassigned:			
Physical plant and equipment	-	(7,204)	(7,204)
Total fund balances	640,249	(7,204)	633,045
TOTAL LIABILITIES AND FUND BALANCES	\$ 643,975	180,300	824,275

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 209,118	39,706	248,824
Other	36	25	61
TOTAL REVENUES	209,154	39,731	248,885
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	47,933	47,933
Support services:			
Instructional	2,720	-	2,720
Operation and maintenance of plant	37,362	46,312	83,674
Transportation	435	-	435
Capital outlay	239,613	144,720	384,333
TOTAL EXPENDITURES	280,130	238,965	519,095
Change in fund balances	(70,976)	(199,234)	(270,210)
Fund balance beginning of the year	711,225	192,030	903,255
Fund balance end of the year	\$ 640,249	(7,204)	633,045

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 950	1	-	951
Drama	5,050	2,335	764	6,621
Chorus	-	114	114	-
Band	(1,322)	1,322	-	-
HS Athletics	(22,978)	16,318	24,875	(31,535)
HS Athletics Resale	(2,881)	2,881	-	-
JH Athletics	(4,744)	5,135	564	(173)
Class of 2003	(6,110)	-	-	(6,110)
Student Council	(344)	140	140	(344)
Key Club	374	-	374	-
Yearbook	(533)	-	949	(1,482)
MS Yearbook	-	639	-	639
MS Field Trip Fund	10,181	9,232	11,131	8,282
Elementary Activity	5,076	-	743	4,333
Elementary Music Activity	(52)	-	327	(379)
Elementary Field Trip Fund	3,501	10,502	7,126	6,877
Elementary Yearbook	89	897	-	986
Total	\$ (13,743)	49,516	47,107	(11,334)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund							
	Class of							
	Boldra Scholarship	1953 Scholarship	Activities Scholarship	Other Scholarship	Rice Scholarship	Hensleigh Scholarship	Alumni Scholarship	Total
ASSETS								
Cash and pooled investments	\$ (847)	650	350	100	13,116	19,833	42	33,244
LIABILITIES	-	-	-	-	-	-	-	-
NET POSITION								
Unrestricted	(847)	-	-	-	-	-	-	(847)
Restricted for scholarships	-	650	350	100	13,116	19,833	42	34,091
TOTAL NET POSITION	\$ (847)	650	350	100	13,116	19,833	42	33,244

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund							Total
	Boldra Scholarship	Class of 1953 Scholarship	Activities Scholarship	Other Scholarship	Rice Scholarship	Hensleigh Scholarship	Pepsi Scholarship	
ADDITIONS:								
Local sources:								
Gifts and contributions	\$ -	-	-	-	-	-	40	40
Interest income	1	-	-	-	3	-	-	4
Total additions	1	-	-	-	3	-	40	44
DEDUCTIONS:								
Instruction:								
Regular:								
Scholarships awarded	-	-	-	-	2,500	3,000	-	5,500
Change in net position	1	-	-	-	(2,497)	(3,000)	40	(5,456)
Net position beginning of year	(848)	650	350	100	15,613	22,833	2	38,700
Net position end of year	\$ (847)	650	350	100	13,116	19,833	42	33,244

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 1,955,411	1,791,797	1,729,727	1,595,332	1,495,740	1,433,070	1,390,820	1,435,744	1,444,051	1,304,312
Tuition	377,168	868,674	222,692	72,521	91,603	107,798	75,449	75,210	85,975	61,534
Other	92,083	54,538	89,319	107,321	139,138	131,701	144,440	140,650	237,461	141,160
Intermediate sources	-	-	-	1,000	-	-	-	-	-	-
State sources	1,252,773	1,465,084	1,326,701	1,317,863	1,508,235	1,547,915	1,438,664	1,285,828	1,293,041	1,306,026
Federal sources	176,698	90,552	220,634	381,682	131,789	146,812	150,327	99,339	244,371	194,325
Total	<u>\$ 3,854,133</u>	<u>4,270,645</u>	<u>3,589,073</u>	<u>3,475,719</u>	<u>3,366,505</u>	<u>3,367,296</u>	<u>3,199,700</u>	<u>3,036,771</u>	<u>3,304,899</u>	<u>3,007,357</u>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,760,825	1,906,371	1,336,106	1,300,988	1,509,588	1,332,653	1,314,265	1,223,556	1,106,577	1,169,307
Special	495,494	499,816	375,373	461,602	366,222	402,759	303,217	329,945	423,240	341,609
Other	246,439	221,685	249,148	365,869	271,120	274,313	326,518	335,126	251,490	162,934
Support services:										
Student	73,122	61,491	74,705	57,249	25,768	68,177	58,196	80,629	85,886	93,353
Instructional staff	77,443	42,083	42,212	77,027	76,388	94,482	81,216	47,723	42,790	40,715
Administration	501,458	427,916	465,268	561,185	402,493	488,458	444,707	440,965	416,633	404,342
Operation and maintenance of plant	304,072	348,364	232,220	324,099	274,327	298,480	306,839	282,213	335,478	236,005
Transportation	177,017	224,624	136,680	218,698	121,948	132,236	151,007	100,356	67,945	84,713
Central support	-	-	-	-	-	-	-	-	4,145	7,824
Non-instructional programs	-	-	-	5,255	-	-	458	-	7,800	7,750
Capital outlay	384,333	346,834	94,780	140,189	53,993	47,296	40,092	100,016	259,022	422,899
Other expenditures:										
AEA flow-through	99,609	100,642	113,373	116,397	103,853	101,979	96,137	91,789	91,840	94,675
Total	<u>\$ 4,119,812</u>	<u>4,179,826</u>	<u>3,119,865</u>	<u>3,628,558</u>	<u>3,205,700</u>	<u>3,240,833</u>	<u>3,122,652</u>	<u>3,032,318</u>	<u>3,092,846</u>	<u>3,066,126</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Hamburg Community School District

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

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

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

We have audited 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hamburg Community School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hamburg Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hamburg Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hamburg Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-B-13 to I-E-13 be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing

an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Hamburg Community School District's Responses to Findings

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

Purpose of this Report

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2014
Newton, Iowa

HAMBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - handling, recording and reconciling cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) School lunch program - recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - The District is doing what it can to segregate duties to the fullest extent possible, but it is difficult with a limited number of staff.

Conclusion - Response accepted.

I-B-13 Gate Admissions - During our audit we noted that the District doesn't utilize pre-numbered tickets for all events that require admission.

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

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” of the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District will make modifications to our ticket taking process to comply.

Conclusion - Response accepted.

I-C-13 Deficit Student Account Balances - We noted during our audit that the District has deficit student balances in the Nutrition Fund. The District should design and implement procedures with regard to deficit accounts.

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

Response - The District has implemented procedures to try and collect deficit student accounts.

Conclusion - Response accepted.

I-D-13 Student Activity Class Account - We noted during our audit that the District has a Class of 2003 account still on its books with a deficit balance of \$6,110 at year end.

Recommendation - At year end, class officers of the graduating class should decide what happens with unused class funds. Since the Class of 2003 account has a deficit balance the District should develop a plan to bring the account back to a zero balance. The District could reallocate funds from other student activity fund accounts which have a positive balance at the end of the year based on recommendations made by the Activities Director and approved by the District's Board of Directors. The District could also fundraise to bring the account back to a zero balance.

Response - The Board was made aware of the account left by graduating classes and have given the business manager direction on how to bring this account to a zero balance. The District will continue to allocate interest revenue received to this account and will attempt to raise additional funds.

Conclusion - Response accepted.

I-E-13 Grant Coding - We noted the District has several grants (Part B/ REAP/ At Risk/ Title VIA) that do not have expenses coded to these grants. The District then made subsequent journal entries to reclassify expenses to these grants. The reclassifying of expenses gives the appearance that these grants may not be monitored throughout the year and the District is finding already existing purchases that might qualify for the grant.

Recommendation - The District should determine who and what costs are appropriate prior to payment and operation of the grant. The individual in charge of the grants should be communicating with the accounting department and consistently monitoring financial reports to ensure that the grant is spent for appropriate items as well as in the correct time period.

Response - The District will make a greater effort to monitor these expenditures and ensure that they are coded to the correct grant throughout the year.

Conclusion - Response accepted.

OTHER MATTERS:

I-F-13 Commodity Pricing - We noted during the audit that the commodity food listing was not priced out using the commodity values provided by the Department of Education and therefore the amount of inventory was under reported on the Balance Sheet.

Recommendation - The District should review their procedures to ensure that the commodity food is priced out correctly.

Response - The District will review their procedures and look at the commodity food pricing more carefully to ensure it is calculated with the correct values.

Conclusion - Response accepted.

HAMBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 **Certified Budget** - District disbursements for the year ended June 30, 2013, exceeded the amounts budgeted in the non-instructional programs functional area. The District also exceeded its General Fund unspent authorized budget for the year ended June 30, 2013 by approximately \$46,000.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the General Fund unspent authorized budget over expenditures.

Response - The District will amend the budget before expenditures exceed amounts budgeted. The District has contacted the Iowa Department of Education and the School Budget Review Committee. Our workout plan has been accepted.

Conclusion - Response accepted.

Budget Publication: We noted that the District did not publish its fiscal 2013 budget within the local paper within the time frame required by Chapter 24.9 of the Code of Iowa.

Recommendation - The budget should have been published in time frame required by Chapter 24.9 of the Code of Iowa which states: "each municipality shall publish the notice of the time when and the place where such hearing shall be held not less than ten nor more than twenty days before the hearing."

Response - The District will ensure that the budget is published within the proper time frame.

Conclusion - Response accepted.

II-B-13 **Questionable Disbursements** - We noted no disbursements that may not meet the requirements for public purpose as defined in Attorney General's opinion dated April 25, 1979.

II-C-13 **Travel Expense** - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-13 **Business Transactions** - No business transactions between the District and District officials were noted.

II-E-13 **Bond Coverage** - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 **Board Minutes** - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the

Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District will ensure that minutes are sent to the paper to be published within two weeks as required, and keep documentation that it has done so.

Conclusion - Response accepted.

II-G-13 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of resident students was understated by 1.0.

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

Response - The District's auditors will contact the Iowa Department of Education and the Department of Management to resolve this matter.

Conclusion - Response accepted.

II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-13 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

Questionable Revenues and Expenses: We noted during our audit that the District paid for water/sewer/landfill services out of High School Athletics account within the Student Activity Fund. In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the Activity Fund shall not be used as a clearing account for any other fund.

Recommendation - Water/sewer/landfill services are more routine maintenance needed to keep up the Districts grounds and not extracurricular or cocurricular in nature. These expenditures are more appropriately handled in the General Fund. In the future, the District should record routine ground upkeep expenses in the General Fund.

Response - Routine maintenance expenditures will be paid from the General Fund.

Conclusion - Response accepted.

We also noted during our audit that Box Top donations were being receipted to the Elementary Field Trip account in the Student Activity Fund. We also noted that revenues and expenditures for book fairs were being recorded in the same account.

Recommendation - Donations given to a school should be expended according to donor request. According to information contained on the website for Box Tops, the donation can be used for items such as books, computers or playground equipment. Since the items listed for purchase with Box Top donations appear more instructional in nature, the most logical place to record these donations would be the General Fund.

The District should review revenues and expenditures from the student activity fund. Items that appear to be more instructional in nature should not be recorded in the Student Activity Fund. Instructional items are more appropriately receipted and expended from the General Fund.

Response - The District will review revenues and expenditures in the Student Activity Fund to ensure that box top donations and book fair items are handled through the General Fund.

Conclusion - Response accepted.

II-M-13 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	711,225
Revenues:			
Sales tax revenues	\$	209,118	
Other local revenues		36	209,154
			<u>920,379</u>
Expenditures			
School infrastructure construction	\$	239,613	
Other		40,517	280,130
			<u>280,130</u>
Ending Balance		\$	<u>640,249</u>

For the year ended June 30, 2013 the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

II-N-13 Financial Condition - The District had the following deficit balances at June 30, 2013. The District had six accounts with a combined deficit unassigned fund balance of \$40,023 and deficit unrestricted fund balance of \$11,334 in the Student Activity Fund. The District had a deficit unrestricted net position in the Nutrition Fund of \$54,846 and a total deficit net position of \$14,492. The District had a deficit unrestricted fund balance of \$847 in the Private Purpose Trust Fund. The District had a deficit unrestricted fund balance of \$7,204 in the Capital Projects: Physical Plant and Equipment Levy Fund.

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

Response - The District will continue to monitor these fund balances and review purchase approval procedures in an attempt to bring these funds back to a positive balance.

Conclusion - Response accepted.

II-O-13 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2013, the General Fund owed the Capital Projects: Physical Plant and Equipment Levy Fund \$359 and owed the Nutrition Fund \$433. The Special Revenue: Student Activity Fund owed the General Fund \$28,482. The Capital Projects: Physical Plant and Equipment Levy Fund owed the General Fund \$1,068. The Nutrition Fund owed the General Fund \$69,830.

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

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

Response - The District will repay the interfund loans before the end of the year.

Conclusion - Response accepted.

II-P-13 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - Timesheets are offered but are often not returned to the payroll department.

Conclusion - Response acknowledged. The District should implement procedures to ensure that all coaches turn in timesheets. The District should also review these procedures with the District's non-certified staff coaches explaining that documentation of hours worked are required to ensure the District's compliance with the Department of Labor wage per hour and overtime requirements.