

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

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Introductory Section

Board of Education and School District Officials

As of June 30, 2013

Name	Title	Term Expires
Board of Education		
Ronald Raney	President	September, 2015
Stacy Miller	Vice President	September, 2015
Thomas Broisma	Board Member	September, 2013
Jennifer Hansen	Board Member	September, 2013
Chad Hanson	Board Member	September, 2013
Erran Miller	Board Member	September, 2015
Kristin Wragge	Board Member	September, 2015
School Officials		
Todd Lettow	Superintendent	Indefinite
Lisa Lewis	District Secretary/Treasurer	Indefinite

Financial Section

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Hampton-Dumont Community School District, Hampton, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 4 through 12 and 39 and 40 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 Hampton-Dumont 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 year ended June 30, 2012 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the eight years ended June 30, 2011 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unqualified opinions on those financial statements. The supplementary information included on pages 41 through 49, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 14, 2014 on our consideration of Hampton-Dumont Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
January 14, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- General Fund revenue decreased from \$13,102,786 in fiscal year 2012 to \$12,373,842 in fiscal year 2013, while General Fund expenditures increased from \$12,136,314 in fiscal year 2012 to \$12,441,801 in fiscal year 2013. The District's General Fund balance decreased from \$1,749,059 at the end of fiscal year 2012 to \$1,681,100 at the end of fiscal year 2013, a 3.9% decrease.
- The fiscal year 2013 decrease in General Fund revenue was primarily attributable to a decrease in operating grants and contributions.
- The increase in expenses was due primarily to an increase in employee benefits as a result of the District offering health/dental insurance to all employees beginning March 1, 2013.

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 Hampton-Dumont Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

FIGURE A-1

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

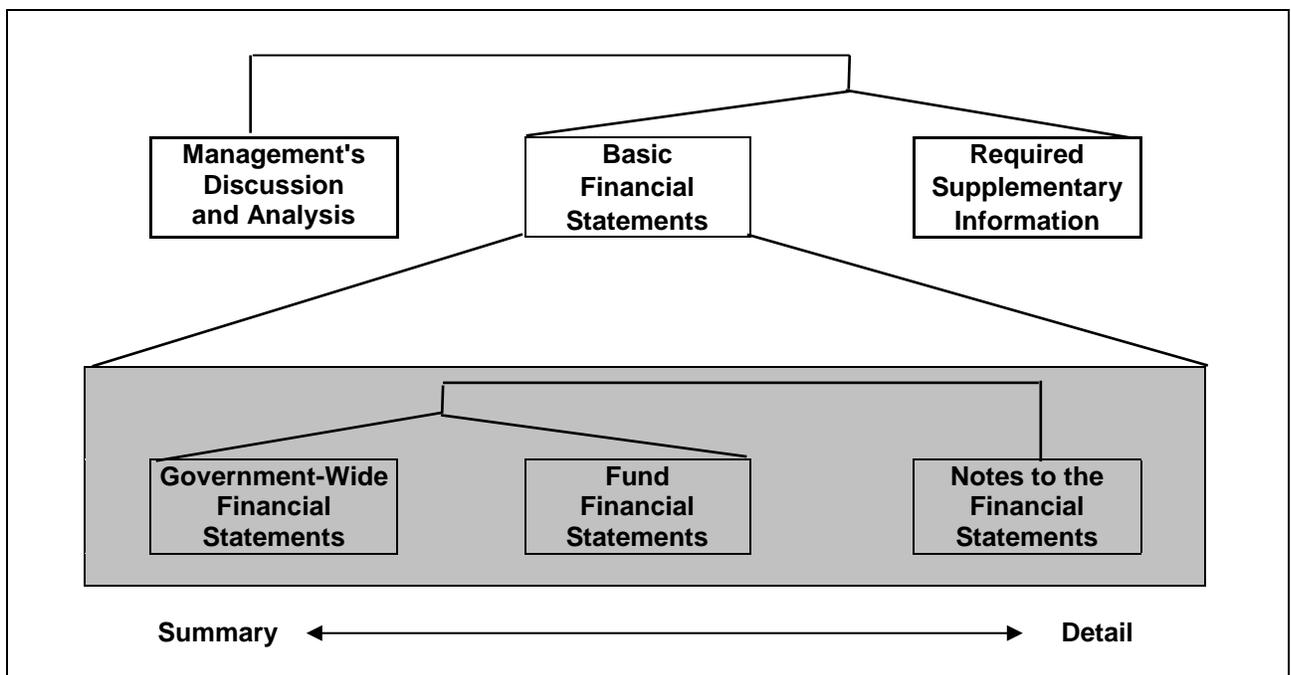


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and internal services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statements of revenue, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, 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 revenue and expenses during year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- *Proprietary Funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District's enterprise fund is the School Nutrition Fund. Internal service funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District's Internal Service Fund is used to account for health insurance benefits.

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

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

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 as of June 30, 2013 compared to June 30, 2012.

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

	Governmental Activities June 30,		Business- Type Activities June 30,		Total District June 30,		Total Percentage Change June 30, 2012-2013
	2013	2012, as Restated (Note 14)	2013	2012	2013	2012	
Current and other assets	\$ 11,550,376	\$ 10,919,578	\$ 128,875	\$ 178,114	\$ 11,679,251	\$ 11,097,692	5.2 %
Capital assets	<u>14,848,027</u>	<u>15,032,077</u>	<u>135,404</u>	<u>139,645</u>	<u>14,983,431</u>	<u>15,171,722</u>	(1.2)
Total Assets	<u>26,398,403</u>	<u>25,951,655</u>	<u>264,279</u>	<u>317,759</u>	<u>26,662,682</u>	<u>26,269,414</u>	1.5
Long-term liabilities	10,571,548	11,122,234	—	—	10,571,548	11,122,234	(5.0)
Other liabilities	<u>6,460,392</u>	<u>6,739,061</u>	<u>15,332</u>	<u>7,177</u>	<u>6,475,724</u>	<u>6,746,238</u>	(4.0)
Total Liabilities	<u>17,031,940</u>	<u>17,861,295</u>	<u>15,332</u>	<u>7,177</u>	<u>17,047,272</u>	<u>17,868,472</u>	(4.6)
Net Position							
Net investment in capital assets	4,998,027	4,702,077	135,404	139,645	5,133,431	4,841,722	6.0
Restricted	2,096,281	1,717,676	—	—	2,096,281	1,717,676	22.0
Unrestricted	<u>2,272,155</u>	<u>1,670,607</u>	<u>113,543</u>	<u>170,937</u>	<u>2,385,698</u>	<u>1,841,544</u>	29.5
Total Net Position	<u>\$ 9,366,463</u>	<u>\$ 8,090,360</u>	<u>\$ 248,947</u>	<u>\$ 310,582</u>	<u>\$ 9,615,410</u>	<u>\$ 8,400,942</u>	14.5 %

The District's total net position increased 14.5%, or approximately \$1,214,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by approximately \$379,000, or 22%, over the prior year. The increase was primarily a result of an increase in restricted funds held for school infrastructure.

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 by approximately \$544,000, or 29.5%. This increase in unrestricted net position was primarily a result of reduced spending by the District to improve the solvency ratio and improve the District's financial position.

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

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

	<u>Governmental Activities</u>		<u>Business- Type Activities</u>		<u>Total District</u>		<u>Total Percentage Change 2012-2013</u>
	<u>2013</u>	<u>2012, as Restated (Note 14)</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
Revenue							
Program Revenue							
Charges for service	\$ 786,907	\$ 845,737	\$ 229,431	\$ 271,197	\$ 1,016,338	\$ 1,116,934	(9.0)%
Operating grants and contributions	2,328,734	2,677,061	489,718	469,858	2,818,452	3,146,919	(10.4)
General Revenue							
Property tax	4,985,249	5,080,073	—	—	4,985,249	5,080,073	(1.9)
Income surtax	170,963	167,675	—	—	170,963	167,675	2.0
Statewide sales, services and use tax	979,245	939,858	—	—	979,245	939,858	4.2
Unrestricted state grants	5,789,542	5,707,351	—	—	5,789,542	5,707,351	1.4
Unrestricted invest- ment earnings	54,792	48,139	379	1,086	55,171	49,225	12.1
Other	42,340	91,427	55,177	—	97,517	91,427	6.7
Total Revenue	15,137,772	15,557,321	774,705	742,141	15,912,477	16,299,462	(2.4)
Program Expenses							
Instruction	9,304,443	9,053,341	—	—	9,304,443	9,053,341	2.8
Support services	3,694,593	3,735,856	—	—	3,694,593	3,735,856	(1.1)
Noninstructional programs	—	—	836,340	754,853	836,340	754,853	10.8
Other expenses	862,633	1,277,573	—	—	862,633	1,277,573	(32.5)
Total Program Expenses	13,861,669	14,066,770	836,340	754,853	14,698,009	14,821,623	(0.8)
Increase (Decrease) in Net Position	1,276,103	1,490,551	(61,635)	(12,712)	1,214,468	1,477,839	(17.8)
Net Position - Beginning of Year	8,090,360	6,599,809	310,582	323,294	8,400,942	6,923,103	21.3
Net Position - End of Year	\$ 9,366,463	\$ 8,090,360	\$ 248,947	\$ 310,582	\$ 9,615,410	\$ 8,400,942	14.5 %

In fiscal year 2013, property tax and unrestricted state grants accounted for 71.2% of governmental activities revenue while charges for service and operating grants and contributions accounted for 92.8% of business-type activities revenue. The District's total revenue was approximately \$15.9 million of which approximately \$15.1 million was for governmental activities and \$0.8 million was for business-type activities. As shown on Figure A-4, the District as a whole experienced a 2.4% decrease in revenue and a 0.8% decrease in expenses.

Governmental Activities

Revenue for governmental activities was \$15,137,772 and expenses were \$13,861,669 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.

**FIGURE A-5
TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES**

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	2013	2012	Percentage Change 2012-2013	2013	2012	Percentage Change 2012-2013
Instruction	\$ 9,304,443	\$ 9,053,341	2.8 %	\$ 6,823,220	\$ 6,293,297	8.4 %
Support services	3,694,593	3,735,856	(1.1)	3,542,155	3,460,162	2.4
Other expenses	862,633	1,277,573	(32.5)	380,653	790,513	(51.8)
Total	<u>\$ 13,861,669</u>	<u>\$ 14,066,770</u>	<u>(1.5)%</u>	<u>\$ 10,746,028</u>	<u>\$ 10,543,972</u>	<u>1.9 %</u>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$786,907.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,328,734.
- The net cost of governmental activities was financed with \$6,135,457 in property and other taxes and \$5,789,542 in unrestricted state grants.

Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2013 was \$774,705, representing a 4.4% increase over the prior year, while expenses totaled \$836,340, a 10.8% increase over the prior year. The District's business-type activities include the School Nutrition Fund. Revenue from these activities was comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,176,438, an increase over last year's ending fund balances of \$3,456,798. The primary reason for the increase in combined fund balances in fiscal year 2013 is due to a decrease in expenditures related to facility acquisition and construction.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,749,059 as of the end of fiscal year 2012 to \$1,681,100 as of the end of fiscal year 2013.
- The Capital Projects Fund balance increased from \$1,411,847 as of the end of fiscal year 2012 to \$1,919,303 as of the end of fiscal year 2013. This increase was due to a decrease in expenditures combined with a prior period adjustment recording debt reserve accounts in the Capital Projects Fund.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$310,582 as of June 30, 2012 to \$248,947 as of June 30, 2013, representing a decrease of 19.8%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Hampton-Dumont Community School District amended its budget one time to reflect additional benefits paid to support staff along with other expenditures.

The District's total revenue was \$744,998 more than total budgeted revenue, a variance of 4.9%.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the noninstruction functional area due to an increase in health/dental insurance benefits in the School Nutrition Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2013, the District had invested \$14,983,431, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1.2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$517,488.

The original cost of the District's capital assets was \$19,806,156. Governmental funds account for \$19,579,427 with the remainder of \$226,729 accounted for in the Proprietary, School Nutrition Fund.

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

	Governmental Activities June 30,		Business- Type Activities June 30,		Total District June 30,		Total Percentage Change June 30, 2012-2013
	2013	2012	2013	2012	2013	2012	
Land	\$ 202,500	\$ 202,500	\$ —	\$ —	\$ 202,500	\$ 202,500	0.0 %
Buildings and improvements	14,166,208	14,452,381	—	—	14,166,208	14,452,381	(2.0)
Furniture and equipment	479,319	377,196	135,404	139,645	614,723	516,841	18.9
Total	<u>\$ 14,848,027</u>	<u>\$ 15,032,077</u>	<u>\$ 135,404</u>	<u>\$ 139,645</u>	<u>\$ 14,983,431</u>	<u>\$ 15,171,722</u>	<u>(1.2)%</u>

Long-Term Debt

As of June 30, 2013, the District had \$5,045,000 of general obligation bonds outstanding. This represents a decrease of 7% from last year. (See Figure A-7.) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District also had outstanding revenue bonds of \$4,805,000 for a geothermal heating and cooling system at the high school as of June 30, 2013.

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

	Total District June 30,		Total Percentage Change June 30, 2012-13
	2013	2012	
General obligation bonds	\$ 5,045,000	\$ 5,425,000	(7.0)%
Revenue bonds	4,805,000	4,905,000	(2.0)
Total	<u>\$ 9,850,000</u>	<u>\$ 10,330,000</u>	<u>(4.6)%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances which could significantly affect its financial health in the future: The District's student enrollment should be stable or growing slightly over the next few years. State funding is based on the number of students enrolled.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Lewis, District Secretary/Treasurer, Hampton-Dumont Community School District, 601 - 12th Avenue, NE, Hampton, IA 50441.

Basic Financial Statements

Statement of Net Position

As of June 30, 2013

	Governmental Activities	Business- Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments....	\$ 5,636,121	\$ 102,417	\$ 5,738,538
Receivables			
Property Tax			
Current year delinquent	60,710	—	60,710
Succeeding year	4,892,070	—	4,892,070
Due from other governments.....	836,875	12,521	849,396
Other.....	18	—	18
Unamortized bond premiums, issuance costs and refunding losses	119,116	—	119,116
Inventories and prepaid expenses	5,466	13,937	19,403
Capital assets, net of accumulated depreciation	<u>14,848,027</u>	<u>135,404</u>	<u>14,983,431</u>
Total Assets	<u>\$ 26,398,403</u>	<u>\$ 264,279</u>	<u>\$ 26,662,682</u>
Liabilities and Net Position			
Liabilities			
Accounts payable.....	\$ 281,033	\$ 4,265	\$ 285,298
Salaries and benefits payable.....	1,176,574	11,067	1,187,641
Accrued interest payable	110,715	—	110,715
Deferred Revenue			
Succeeding year property tax.....	4,892,070	—	4,892,070
Long-Term Liabilities			
Portion Due Within One Year			
General obligation bonds.....	400,000	—	400,000
Revenue bonds.....	180,000	—	180,000
Early retirement.....	136,126	—	136,126
Portion Due After One Year			
General obligation bonds.....	4,645,000	—	4,645,000
Revenue bonds.....	4,625,000	—	4,625,000
Early retirement.....	321,422	—	321,422
Net OPEB liability	<u>264,000</u>	<u>—</u>	<u>264,000</u>
Total Liabilities	<u>17,031,940</u>	<u>15,332</u>	<u>17,047,272</u>
Net Position			
Net investment in capital assets	4,998,027	135,404	5,133,431
Restricted for			
Categorical funding - home school assistance program.....	12,391	—	12,391
Debt service.....	710,393	—	710,393
School infrastructure	1,076,126	—	1,076,126
Physical plant and equipment	99,431	—	99,431
Management levy purposes	125,165	—	125,165
Student activities	72,775	—	72,775
Unrestricted	<u>2,272,155</u>	<u>113,543</u>	<u>2,385,698</u>
Total Net Position	<u>9,366,463</u>	<u>248,947</u>	<u>9,615,410</u>
Total Liabilities and Net Position	<u>\$ 26,398,403</u>	<u>\$ 264,279</u>	<u>\$ 26,662,682</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenue		Net (Expenses), Revenue and Changes in Net Position		
		Charges for Service	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction						
Regular instruction	\$ 5,675,864	\$ 371,809	\$ 1,443,108	\$ (3,860,947)	\$ —	\$ (3,860,947)
Special instruction	2,055,219	88,010	302,586	(1,664,623)	—	(1,664,623)
Other instruction	1,573,360	238,901	36,809	(1,297,650)	—	(1,297,650)
Total Instruction.....	<u>9,304,443</u>	<u>698,720</u>	<u>1,782,503</u>	<u>(6,823,220)</u>	<u>—</u>	<u>(6,823,220)</u>
Support Services						
Student services	345,194	—	—	(345,194)	—	(345,194)
Instructional staff services	701,279	—	—	(701,279)	—	(701,279)
Administration services	1,198,567	16,603	—	(1,181,964)	—	(1,181,964)
Operation and maintenance of plant services	968,885	41,230	64,251	(863,404)	—	(863,404)
Transportation services	480,668	30,354	—	(450,314)	—	(450,314)
Total Support Services..	<u>3,694,593</u>	<u>88,187</u>	<u>64,251</u>	<u>(3,542,155)</u>	<u>—</u>	<u>(3,542,155)</u>
Other Expenditures						
Long-term debt interest and fiscal charges	380,653	—	—	(380,653)	—	(380,653)
AEA flow through.....	481,980	—	481,980	—	—	—
Total Other Expenditures	<u>862,633</u>	<u>—</u>	<u>481,980</u>	<u>(380,653)</u>	<u>—</u>	<u>(380,653)</u>
Total Governmental Activities	13,861,669	786,907	2,328,734	(10,746,028)	—	(10,746,028)
Business-Type Activities						
Noninstructional Programs						
Food service operations ...	<u>836,340</u>	<u>229,431</u>	<u>489,718</u>	<u>—</u>	<u>(117,191)</u>	<u>(117,191)</u>
Total	\$ 14,698,009	\$ 1,016,338	\$ 2,818,452	(10,746,028)	(117,191)	(10,863,219)
General Revenue						
Property Tax Levied for						
General purposes				3,487,336	—	3,487,336
Management.....				600,776	—	600,776
Debt service.....				568,468	—	568,468
Capital outlay.....				328,669	—	328,669
Income surtax.....				170,963	—	170,963
Statewide sales, services and use tax				979,245	—	979,245
Unrestricted state grants				5,789,542	—	5,789,542
Unrestricted investment earnings.....				54,792	379	55,171
Other				42,340	55,177	97,517
Total General Revenue				12,022,131	55,556	12,077,687
Change in Net Position....				1,276,103	(61,635)	1,214,468
Net Position - Beginning of Year, as previously reported						
				8,151,973	310,582	8,462,555
Prior period restatement (Note 14)						
				(61,613)	—	(61,613)
Net Position - Beginning of Year, as Restated						
				8,090,360	310,582	8,400,942
Net Position - End of Year				\$ 9,366,463	\$ 248,947	\$ 9,615,410

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of June 30, 2013

	General	Capital Projects	Nonmajor	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 2,638,112	\$ 1,630,439	\$ 609,249	\$ 4,877,800
Receivables				
Property Tax				
Current year delinquent.....	42,753	3,881	14,076	60,710
Succeeding year	3,667,343	348,720	876,007	4,892,070
Due from other funds	49,998	—	2,952	52,950
Due from other governments.....	539,480	297,395	—	836,875
Other.....	—	18	—	18
Total Assets	<u>\$ 6,937,686</u>	<u>\$ 2,280,453</u>	<u>\$ 1,502,284</u>	<u>\$ 10,720,423</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 244,840	\$ 12,430	\$ 244	\$ 257,514
Salaries and benefits payable.....	1,176,574	—	—	1,176,574
Due to other funds	12,365	—	49,998	62,363
Deferred Revenue				
Succeeding year property tax.....	3,667,343	348,720	876,007	4,892,070
Other.....	155,464	—	—	155,464
Total Liabilities	<u>5,256,586</u>	<u>361,150</u>	<u>926,249</u>	<u>6,543,985</u>
Fund Balances				
Restricted for				
Categorical funding - home school assistance program.....	12,391	—	—	12,391
Debt service	—	743,746	—	743,746
School infrastructure	—	1,076,126	—	1,076,126
Physical plant and equipment	—	99,431	—	99,431
Management levy purposes	—	—	545,014	545,014
Student activities	—	—	72,775	72,775
Unassigned	1,668,709	—	(41,754)	1,626,955
Total Fund Balances	<u>1,681,100</u>	<u>1,919,303</u>	<u>576,035</u>	<u>4,176,438</u>
Total Liabilities and Fund Balances	<u>\$ 6,937,686</u>	<u>\$ 2,280,453</u>	<u>\$ 1,502,284</u>	<u>\$ 10,720,423</u>

See accompanying notes to the financial statements.

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

As of June 30, 2013

Total Fund Balances for Governmental Funds (Page 15)....		\$ 4,176,438
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Income surtax receivable is not available to pay current year expenditures and, therefore, is deferred in the governmental funds.....		155,464
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.....		14,848,027
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position		749,681
Unamortized bond premiums, issuance costs and refund losses are amortized over the life of the bonds and, therefore, are not reported as assets in the governmental funds.....		119,116
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.....		(110,715)
Long-term liabilities, including general obligation bonds, revenue bonds, early retirement and other postemployment benefits are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds	\$ (5,045,000)	
Revenue bonds	(4,805,000)	
Early retirement.....	(457,548)	
Net OPEB liability	<u>(264,000)</u>	<u>(10,571,548)</u>
 Net Position of Governmental Activities (Page 13)		 <u>\$ 9,366,463</u>

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

Year Ended June 30, 2013

	General	Capital Projects	Nonmajor	Total
Revenue				
Local Sources				
Local tax	\$ 3,655,351	\$ 1,307,914	\$ 1,169,244	\$ 6,132,509
Tuition	433,545	—	—	433,545
Other	251,789	17,240	241,584	510,613
Intermediate sources	6,700	—	—	6,700
State sources	7,213,885	25,000	—	7,238,885
Federal sources	812,572	—	—	812,572
Total Revenue	<u>12,373,842</u>	<u>1,350,154</u>	<u>1,410,828</u>	<u>15,134,824</u>
Expenditures				
Current				
Instruction				
Regular instruction	5,266,297	—	159,714	5,426,011
Special instruction	2,105,128	—	—	2,105,128
Other instruction	1,405,149	—	189,225	1,594,374
Total Instruction	<u>8,776,574</u>	<u>—</u>	<u>348,939</u>	<u>9,125,513</u>
Support Services				
Student services	353,159	—	—	353,159
Instructional staff services	528,727	183,090	—	711,817
Administration services	1,169,416	53,559	—	1,222,975
Operation and maintenance of plant services	763,752	52,662	164,225	980,639
Transportation services	368,193	98,448	283	466,924
Total Support Services	<u>3,183,247</u>	<u>387,759</u>	<u>164,508</u>	<u>3,735,514</u>
Other Expenditures				
Facilities acquisition and construction	—	207,486	—	207,486
Long-Term Debt				
Principal	—	—	480,000	480,000
Interest and fiscal charges	—	—	384,691	384,691
AEA flowthrough	481,980	—	—	481,980
Total Other Expenditures	<u>481,980</u>	<u>207,486</u>	<u>864,691</u>	<u>1,554,157</u>
Total Expenditures	<u>12,441,801</u>	<u>595,245</u>	<u>1,378,138</u>	<u>14,415,184</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(67,959)</u>	<u>754,909</u>	<u>32,690</u>	<u>719,640</u>
Other Financing Sources (Uses)				
Operating transfers in	—	—	247,453	247,453
Operating transfers out	—	(247,453)	—	(247,453)
Total Other Financing Sources (Uses)	<u>—</u>	<u>(247,453)</u>	<u>247,453</u>	<u>—</u>
Net Change in Fund Balances	<u>(67,959)</u>	<u>507,456</u>	<u>280,143</u>	<u>719,640</u>
Fund Balances - Beginning of				
Year, as previously reported	1,749,059	808,188	961,164	3,518,411
Prior period restatement (Note 14) ...	—	603,659	(665,272)	(61,613)
Fund Balances - Beginning of Year, as Restated	1,749,059	1,411,847	295,892	3,456,798
Fund Balances - End of Year	<u>\$ 1,681,100</u>	<u>\$ 1,919,303</u>	<u>\$ 576,035</u>	<u>\$ 4,176,438</u>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds (Page 17) \$ 719,640

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

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, those costs are not reported in the statement of net position and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense for the year are as follows:

Capital outlays.....	\$ 315,929	
Depreciation expense.....	<u>(499,979)</u>	(184,050)

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.....		2,948
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due		14,867
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Amortization of bond premiums, issuance costs and refunding losses on bonds payable did not use current financial resources of governmental funds but it decreases assets in the statement of net position		(10,829)
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Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.....		480,000
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An internal service fund is used by management to charge the costs of health insurance to individual funds. The change in net position in the internal service fund is reported with governmental activities.....		182,841
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Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement.....	\$ 155,521	
Other post employment benefits.....	<u>(84,835)</u>	<u>70,686</u>

Change in Net Position of Governmental Activities (Page 14) \$ 1,276,103

Statement of Net Position - Proprietary Funds

As of June 30, 2013

	<u>Major Enterprise Fund School Nutrition</u>	<u>Internal Service Fund Health Insurance Fund</u>
Assets		
Current Assets		
Cash, cash equivalents and pooled investments	\$ 102,417	\$ 758,321
Receivables		
Due from other funds	—	9,413
Due from other governments.....	12,521	—
Inventories and prepaid expenses	<u>13,937</u>	<u>5,466</u>
Total Current Assets	128,875	773,200
Capital Assets		
Capital assets, net of accumulated depreciation	<u>135,404</u>	<u>—</u>
Total Assets	<u>\$ 264,279</u>	<u>\$ 773,200</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 4,265	\$ 23,519
Salaries and benefits payable.....	<u>11,067</u>	<u>—</u>
Total Current Liabilities	<u>15,332</u>	<u>23,519</u>
Net Position		
Invested in capital assets.....	135,404	—
Unrestricted	<u>113,543</u>	<u>749,681</u>
Total Net Position	<u>248,947</u>	<u>749,681</u>
Total Liabilities and Net Position	<u>\$ 264,279</u>	<u>\$ 773,200</u>

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

Year Ended June 30, 2013

	<u>Major Enterprise Fund School Nutrition</u>	<u>Internal Service Fund Health Insurance Fund</u>
Operating Revenue		
Local Sources		
Charges for service	\$ 229,431	\$ —
Other receipts	55,177	—
Health insurance contributions	<u>—</u>	<u>1,742,829</u>
Total Operating Revenue	<u>284,608</u>	<u>1,742,829</u>
Operating Expenses		
Noninstructional Programs		
Food Service Operations		
Salaries and benefits	367,287	—
Purchased services and supplies	451,544	—
Depreciation	17,509	—
Health insurance claims and fees	<u>—</u>	<u>1,563,028</u>
Total Operating Expenses	<u>836,340</u>	<u>1,563,028</u>
Income (Loss) From Operations	<u>(551,732)</u>	<u>179,801</u>
Nonoperating Revenue		
State sources	6,437	—
Federal sources	483,281	—
Interest on investments	<u>379</u>	<u>3,040</u>
Total Nonoperating Revenue	<u>490,097</u>	<u>3,040</u>
Change in Net Position	(61,635)	182,841
Net Position - Beginning of Year	<u>310,582</u>	<u>566,840</u>
Net Position - End of Year	<u>\$ 248,947</u>	<u>\$ 749,681</u>

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2013

	<u>Major Enterprise Fund School Nutrition</u>	<u>Internal Service Fund Health Insurance Fund</u>
Cash Flows From Operating Activities		
Cash received from sale of lunches and breakfasts.....	\$ 229,431	\$ —
Cash received from other	55,177	—
Cash received from assessments made to other funds	—	1,742,829
Cash payments to employees for services	(363,397)	—
Cash payments to suppliers for goods or services.....	(398,810)	—
Cash payments for insurance claims	<u>—</u>	<u>(1,549,786)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(477,599)</u>	<u>193,043</u>
Cash Flows From Noncapital Financing Activities		
State grants received.....	6,437	—
Federal grants received.....	<u>425,349</u>	<u>—</u>
Net Cash Provided by Noncapital Financing Activities	<u>431,786</u>	<u>—</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets.....	<u>(13,268)</u>	<u>—</u>
Cash Flows From Investment Activities		
Interest on investments	<u>379</u>	<u>3,040</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Pooled Investments	(58,702)	196,083
Cash, Cash Equivalents and Pooled Investments - Beginning of Year	<u>161,119</u>	<u>562,238</u>
Cash, Cash Equivalents and Pooled Investments - End of Year	<u>\$ 102,417</u>	<u>\$ 758,321</u>
Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities		
Income (loss) from operations.....	\$ (551,732)	179,801
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities		
Commodities used.....	46,655	—
Depreciation	17,509	—
Decrease in inventories and prepaid expenses	1,814	1
Increase in salaries and benefits payable	3,890	—
Increase in accounts payable and provision for health insurance claims	<u>4,265</u>	<u>13,241</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (477,599)</u>	<u>\$ 193,043</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2013, the District received \$45,411 of federal commodities.

See accompanying notes to the financial statements.

Statement of Fiduciary Net Position - Fiduciary Funds

As of June 30, 2013

	Private Purpose Trusts	Agency Funds
Assets		
Cash, Cash Equivalents and Pooled Investments	<u>\$ 31,767</u>	<u>\$ 9,320</u>
Liabilities and Net Position		
Liabilities		
Accounts payable	\$ —	\$ 9,320
Net Position		
Restricted for special purposes	<u>31,767</u>	<u>—</u>
Total Liabilities and Net Position	<u>\$ 31,767</u>	<u>\$ 9,320</u>

Statement of Changes in Fiduciary Net Position - Fiduciary Funds —————

Year Ended June 30, 2013

	Private Purpose Trusts
Revenue	
Local Sources	
Gifts and contributions	\$ 500
Interest income	<u>7</u>
Total Revenue	507
Expenditures	
Instruction	
Other.....	<u>8,176</u>
Change in Net Position	(7,669)
Net Position - Beginning of Year.....	<u>39,436</u>
Net Position - End of Year	<u>\$ 31,767</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Hampton-Dumont Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Hampton and Dumont, Iowa, and the predominate agricultural territory in Franklin and Butler Counties. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

Reporting Entity

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

Jointly Governed Organizations

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Franklin and Butler Counties Assessor's Conference Board.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position (previously referred to as net assets) and the statement of activities report information on all the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenue, are reported separately 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:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

The District's proprietary funds are the School Nutrition Fund used to account for the food service operations of the District and the Health Insurance Fund, an internal service fund, used to account for the District's health insurance plan payments.

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

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

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

(1) Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenue. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 revenue.

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

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

Assets, Liabilities and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments

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

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

Property Tax Receivable

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1-1/2% monthly penalty for delinquent payments; is based on January 1, 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 amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Inventories

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

Capital Assets

Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2013. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land.....	\$ 2,000
Buildings and improvements	2,000
Intangibles.....	2,000
Furniture and Equipment	
School Nutrition Fund equipment	500
Other furniture and equipment.....	2,000

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

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

Salaries and Benefits Payable

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

Deferred Revenue

Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within 60 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.

(1) Summary of Significant Accounting Policies

Compensated Absences

District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2013. The compensated absences liability was deemed to be immaterial as of June 30, 2013.

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 Equity

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

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

Unassigned - All amounts not included in the preceding classification.

Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the noninstructional program function. The District did not exceed its General Fund unspent authorized budget.

Estimates and Assumptions

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

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks as of 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.

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Pooled Investments

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

As of June 30, 2013, the District had no investments.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 49,998
Internal Service	General	9,413
Special Revenue		
Student Activity	General	<u>2,952</u>
		<u>\$ 62,363</u>

The Debt Service Fund is repaying the General Fund for revenue incorrectly recorded in the current year. The General Fund is repaying the Internal Service Fund for insurance payments not paid prior to the end of the year and the Student Activity Fund for an authorized advance. The balances are to be repaid by June 30, 2014.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer To	Transfer From	Amount
Debt Service	Capital Projects	<u>\$ 247,453</u>

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

Notes to the Financial Statements

(5) 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
Governmental Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 202,500	\$ —	\$ —	\$ 202,500
Capital Assets Being Depreciated				
Buildings and improvements	17,675,872	66,310	—	17,742,182
Furniture and equipment	1,385,126	249,619	—	1,634,745
Total Capital Assets Being Depreciated.....	<u>19,060,998</u>	<u>315,929</u>	<u>—</u>	<u>19,376,927</u>
Less Accumulated Depreciation for				
Buildings and improvements	3,223,491	352,483	—	3,575,974
Furniture and equipment	1,007,930	147,496	—	1,155,426
Total Accumulated Depreciation...	<u>4,231,421</u>	<u>499,979</u>	<u>—</u>	<u>4,731,400</u>
Total Capital Assets Being Depreciated, Net	<u>14,829,577</u>	<u>(184,050)</u>	<u>—</u>	<u>14,645,527</u>
Governmental Activities Capital Assets, Net.....				
	<u>\$ 15,032,077</u>	<u>\$ (184,050)</u>	<u>\$ —</u>	<u>\$ 14,848,027</u>
Business-Type Activities				
Furniture and equipment	\$ 213,461	\$ 13,268	\$ —	\$ 226,729
Less accumulated depreciation	73,816	17,509	—	91,325
Business-Type Activities Capital Assets, Net.....				
	<u>\$ 139,645</u>	<u>\$ (4,241)</u>	<u>\$ —</u>	<u>\$ 135,404</u>

Depreciation expense was charged to the following functions:

Governmental Activities

Instruction		
Regular instruction		\$ 363,293
Special instruction		906
Other instruction.....		15,587
Support Services		
Administration services		473
Operation and maintenance of plant services.....		4,067
Transportation services		115,653
Total Depreciation Expense - Governmental Activities		<u>\$ 499,979</u>

Business-Type Activities

Food service operations		<u>\$ 17,509</u>
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Notes to the Financial Statements

(6) Long-Term Liabilities

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

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
Governmental Activities					
General obligation bonds \$	5,425,000	\$ —	\$ 380,000	\$ 5,045,000	\$ 400,000
Revenue bonds	4,905,000	—	100,000	4,805,000	180,000
Early retirement	613,069	—	155,521	457,548	136,126
Net OPEB liability	179,165	84,835	—	264,000	—
Total	\$ 11,122,234	\$ 84,835	\$ 635,521	\$ 10,571,548	\$ 716,126

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bonds Issued May 1, 2005			Bonds Issued June 7, 2012			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2014	4.00%	\$ 400,000	\$ 225,258	2.00%	\$ —	\$ 47,213*	\$ 400,000	\$ 272,471
2015	—	—	—	2.00	420,000	94,425	420,000	94,425
2016	—	—	—	2.00	430,000	86,025	430,000	86,025
2017	—	—	—	2.00	440,000	77,425	440,000	77,425
2018	—	—	—	2.00	450,000	68,625	450,000	68,625
2019-2023	—	—	—	2.00 - 2.10	2,390,000	204,525	2,390,000	204,525
2024	—	—	—	2.20	515,000	11,330	515,000	11,330
Total		\$ 400,000	\$ 225,258		\$ 4,645,000	\$ 589,568	\$ 5,045,000	\$ 814,826

Refunded Bonds

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

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

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

* In addition, in accordance with the terms of the refunding trust agreement, trust assets will also be used to pay interest on the Series 2012 refunding bonds through May 1, 2014. Interest paid from the refunding trust totaled \$84,983 for the year ended June 30, 2013. Total interest expected to be paid from the refunding trust during the year ending June 30, 2014 is \$47,213.

Notes to the Financial Statements

(6) Long-Term Liabilities

Revenue Bonds

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bonds Issued June 1, 2011		
	Interest Rates	Principal	Interest
2014	2.00%	\$ 180,000	\$ 144,545
2015	2.00	285,000	139,895
2016	2.10	490,000	131,900
2017	2.50	500,000	120,505
2018	2.90	515,000	106,788
2019-2023	3.10 - 3.85	2,835,000	266,070
Total		<u>\$ 4,805,000</u>	<u>\$ 909,703</u>

The District has pledged future statewide sales, services and use tax revenue to repay the bonds issued in June, 2011. The bonds were issued for the purpose of financing the installation of a geothermal heating and cooling system at the high school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 60% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$5,714,703. For the current year, principal of \$100,000 and interest of \$147,345 was paid on the bonds and total statewide sales, services and use tax revenue was \$979,245.

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

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

The District complied with all the revenue bond provisions during the year ended June 30, 2013.

Notes to the Financial Statements

(7) Operating Lease

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

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

In April, 2011, the District entered into a five-year lease for copiers that requires minimum monthly payments of \$3,551 starting in May, 2011.

The District paid \$178,261 of principal and interest under all lease agreements during the year ended June 30, 2013.

Year Ending June 30,	Computers	Auditorium and Gym	Copiers	Total
2014	\$ 113,093	\$ 12,375	\$ 42,617	\$ 168,085
2015	—	—	42,617	42,617
2016	—	—	<u>31,962</u>	<u>31,962</u>
Total Minimum Lease Payments	<u>\$ 113,093</u>	<u>\$ 12,375</u>	<u>\$ 117,196</u>	<u>\$ 242,664</u>

In July, 2013, the District entered into a lease with the Area Education Agency for office space in their North Side Elementary building. The lease agreement requires a monthly payment of \$1,360 for a term of two years. In accordance with generally accepted accounting principles, rent income is being recognized on a straight-line basis over the actual period of occupancy.

The future minimum rental payments to be received under this lease agreement are as follows:

Years Ending June 30,	
2014	\$ 16,320
2015	<u>16,320</u>
Total	<u>\$ 32,640</u>

Notes to the Financial Statements

(8) Pension Plan

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$667,054, \$611,292 and \$520,270, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description

The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 203 active and 16 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the District's annual OPEB cost for the year ended for June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 311,000
Interest on net OPEB obligation.....	7,835
Adjustment to annual required contribution.....	(7,000)
Annual OPEB Cost	<u>311,835</u>
Contributions made	<u>(227,000)</u>
Increase in Net OPEB Obligation	84,835
Net OPEB Obligation - Beginning of Year.....	<u>179,165</u>
Net OPEB Obligation - End of Year	<u><u>\$ 264,000</u></u>

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

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 fiscal year 2013, the District contributed \$227,000 to the medical plan. Plan members eligible for benefits contributed \$40,689, or 15.2%, of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 147,745	56.9%	\$ 124,745
June 30, 2012	145,420	62.6	179,165
June 30, 2013	311,835	72.8	264,000

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period of July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1.344 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.344 million. The covered payroll (annual payroll of active employees covered by the plan) was \$8.080 million, and the ratio of the UAAL to the covered payroll was 16.6%. 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 healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are \$667 per month for retirees age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. 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.

(11) Area Education Agency Support

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$481,980 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.

(12) Early Retirement

In prior years, the District offered a voluntary early retirement plan for employees who were at least 55 years of age and had completed at least 15 years of continuous service to the District. The program was not offered for the year ended June 30, 2013. The benefit depends on the classification of the employee. For licensed staff, it consists of two parts. Part one is a cash payment of \$1,000 for each year of service, capped at \$25,000. The second part is a payment of \$100 for each unused sick day. These payments are deposited into an escrow account to be used for insurance premiums. Support staff receive 75 days per diem, deposited into an escrow account to be used for insurance premiums. The Board has complete discretion to offer or not to offer an early retirement plan.

As of June 30, 2013, the District had obligations to 27 participants with a total liability of \$457,548. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$155,521.

(13) Subsequent Events

Management has evaluated subsequent events through January 14, 2014, the date which the financial statements were available to be issued.

(14) Prior Period Adjustment

During the year ended June 30, 2013, management determined that it had recorded a portion of fiscal year 2013 local option sales, services and use tax as a receivable and revenue in the year ended June 30, 2012. As a result, a prior period adjustment has been made to decrease the Capital Projects Fund - Statewide Sales, Services and Use Tax Account balance and the Governmental Activities net position as of June 30, 2012 by \$61,613. There was no effect on any other fund balances.

In addition, during the year ended June 30, 2013, management elected to record and hold debt reserve funds in the Capital Projects Fund - Statewide Sales, Services and Use Tax Account rather than the Debt Service Fund as was previously decided as of June 30, 2012. Therefore, \$665,272 that was transferred to the Debt Service Fund at June 30, 2012 should have remained in the Capital Projects Fund - Statewide Sales, Services and Use Tax Account. There was no effect on any other fund balances.

(15) Deficit Balance

The Debt Service Fund had a deficit balance of \$41,754 as of June 30, 2013. The deficit balance was a result of an insufficient levy of taxes. The deficit will be eliminated with an additional levy of taxes in future years.

Required Supplementary Information

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

Year Ended June 30, 2013

	Actual			Budgeted Amount		Over (Under) Budget
	Governmental Fund Types	Proprietary Fund Type	Total	Original	Final	
Revenue						
Local sources	\$ 7,076,667	\$ 284,987	\$ 7,361,654	\$ 6,914,364	\$ 6,914,364	\$ 447,290
Intermediate sources.....	6,700	—	6,700	—	—	6,700
State sources	7,238,885	6,437	7,245,322	7,304,703	7,304,703	(59,381)
Federal sources	812,572	483,281	1,295,853	945,464	945,464	350,389
Total Revenue	<u>15,134,824</u>	<u>774,705</u>	<u>15,909,529</u>	<u>15,164,531</u>	<u>15,164,531</u>	<u>744,998</u>
Expenditures/Expenses						
Instruction.....	9,125,513	—	9,125,513	9,254,000	9,342,000	(216,487)
Support services	3,735,514	—	3,735,514	3,736,600	3,922,000	(186,486)
Noninstructional programs	—	836,340	836,340	700,000	800,000	36,340
Other expenditures.....	1,554,157	—	1,554,157	1,758,717	1,858,000	(303,843)
Total Expenditures/ Expenses.....	<u>14,415,184</u>	<u>836,340</u>	<u>15,251,524</u>	<u>15,449,317</u>	<u>15,922,000</u>	<u>(670,476)</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures/Expenses						
	719,640	(61,635)	658,005	(284,786)	(757,469)	1,415,474
Balance - Beginning of Year, as restated (Note 14).....	<u>3,456,798</u>	<u>310,582</u>	<u>3,767,380</u>	<u>2,620,885</u>	<u>2,620,885</u>	<u>1,146,495</u>
Balance - End of Year	<u>\$ 4,176,438</u>	<u>\$ 248,947</u>	<u>\$ 4,425,385</u>	<u>\$ 2,336,099</u>	<u>\$ 1,863,416</u>	<u>\$ 2,561,969</u>

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$472,683.

During the year ended June 30, 2013, expenditures in the noninstructional programs function exceeded the amounts budgeted; however, the District did not exceed its General Fund unspent authorized budget. The District did not adopt the budget amendment timely in accordance with the Code of Iowa.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	7-1-09	\$ —	\$ 1,422,000	\$ 1,422,000	0%	\$ 7,054,000	20.2%
2011	7-1-09	—	1,422,000	1,422,000	0	7,524,000	18.9
2012	7-1-09	—	1,422,000	1,422,000	0	7,859,000	18.1
2013	7-1-12	—	1,344,000	1,344,000	0	8,080,000	16.6

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

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2013

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>		
Assets				
Cash, cash equivalents and pooled investments.....	\$ 537,651	\$ 70,063	\$ 1,535	\$ 609,249
Receivables				
Property Tax				
Current year delinquent	7,367	—	6,709	14,076
Succeeding year	250,000	—	626,007	876,007
Due from other funds	—	2,952	—	2,952
Total Assets	<u>\$ 795,018</u>	<u>\$ 73,015</u>	<u>\$ 634,251</u>	<u>\$ 1,502,284</u>
Liabilities and Fund Balances (Deficit)				
Liabilities				
Accounts payable	\$ 4	\$ 240	\$ —	\$ 244
Due to other funds	—	—	49,998	49,998
Deferred Revenue				
Succeeding year property tax.....	250,000	—	626,007	876,007
Total Liabilities	<u>250,004</u>	<u>240</u>	<u>676,005</u>	<u>926,249</u>
Fund Balances (Deficit)				
Restricted for				
Management levy purposes	545,014	—	—	545,014
Student activities	—	72,775	—	72,775
Unassigned	—	—	(41,754)	(41,754)
Total Fund Balances (Deficit).....	<u>545,014</u>	<u>72,775</u>	<u>(41,754)</u>	<u>576,035</u>
Total Liabilities and Fund Balances.	<u>\$ 795,018</u>	<u>\$ 73,015</u>	<u>\$ 634,251</u>	<u>\$ 1,502,284</u>

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

Year Ended June 30, 2013

	<u>Special Revenue</u>		Debt Service	Total
	Management Levy	Student Activity		
Revenue				
Local Sources				
Local tax	\$ 600,776	\$ —	\$ 568,468	\$ 1,169,244
Other.....	13,594	225,528	2,462	241,584
Total Revenue	<u>614,370</u>	<u>225,528</u>	<u>570,930</u>	<u>1,410,828</u>
Expenditures				
Current				
Instruction				
Regular instruction.....	159,714	—	—	159,714
Other instruction	—	189,225	—	189,225
Total Instruction	<u>159,714</u>	<u>189,225</u>	<u>—</u>	<u>348,939</u>
Support Services				
Operation and maintenance of plant services.....	164,225	—	—	164,225
Transportation services.....	283	—	—	283
Total Support Services.....	<u>164,508</u>	<u>—</u>	<u>—</u>	<u>164,508</u>
Other Expenditures				
Long-Term Debt				
Principal.....	—	—	480,000	480,000
Interest and fiscal charges	—	—	384,691	384,691
Total Other Expenditures	<u>—</u>	<u>—</u>	<u>864,691</u>	<u>864,691</u>
Total Expenditures.....	<u>324,222</u>	<u>189,225</u>	<u>864,691</u>	<u>1,378,138</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures.....	<u>290,148</u>	<u>36,303</u>	<u>(293,761)</u>	<u>32,690</u>
Other Financing Sources				
Operating transfers in	—	—	247,453	247,453
Net Change in Fund Balances	<u>290,148</u>	<u>36,303</u>	<u>(46,308)</u>	<u>280,143</u>
Fund Balances - Beginning of Year,				
as previously reported.....	254,866	36,472	669,826	961,164
Prior period restatement (Note 14)	—	—	(665,272)	(665,272)
Fund Balance - Beginning of Year, as Restated.....	254,866	36,472	4,554	295,892
Fund Balances (Deficit) - End of Year	<u>\$ 545,014</u>	<u>\$ 72,775</u>	<u>\$ (41,754)</u>	<u>\$ 576,035</u>

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

Year Ended June 30, 2013

	Balance - Beginning of Year	Revenue	Expenditures	Balance - End of Year
IT Adventures Club.....	\$ 437	\$ —	\$ —	\$ 437
Girls Book Club	298	—	22	276
Character Counts	1,452	—	1,329	123
Key Club.....	112	—	—	112
MS Cheerleading.....	—	210	—	210
HS Cheerleading	—	6,539	5,018	1,521
DECA	605	1,621	2,226	—
Drama Club	477	1,713	308	1,882
FBL	389	—	—	389
FCA.....	21	—	—	21
FCCLA	2,028	835	601	2,262
FFA	15,353	31,809	22,441	24,721
FTA	1,594	—	108	1,486
International Club	892	394	52	1,234
Mock Trial.....	—	397	397	—
SADD	889	243	116	1,016
Student Council	1,677	3,223	1,959	2,941
Dance Team.....	—	2,910	2,910	—
Dramatics - Plays and Musicals.....	—	5,365	3,495	1,870
HS Instrumental Music	—	3,669	3,669	—
HS Vocal Music	—	1,940	1,940	—
MS Vocal Music.....	—	178	178	—
MS Instrumental Music.....	—	316	316	—
MS Instrumental Uniform.....	—	33	33	—
Speech.....	—	326	326	—
MS Yearbook.....	—	3,126	2,213	913
HS Yearbook.....	—	11,308	11,308	—
MS Success Center.....	—	186	167	19
HS Success Center	635	2,982	1,659	1,958
Class of 2015	3,622	—	—	3,622
Class of 2016	—	5,575	3,578	1,997
Class of 2013	2,748	644	1,733	1,659
Class of 2014	3,243	1,773	2,742	2,274
MS PBIS.....	—	5,591	3,963	1,628
Bulldog Byte	—	973	516	457
Cross Country	—	1,189	1,092	97

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

Year Ended June 30, 2013

	Balance - Beginning of Year	Revenue and Transfers	Expenditures and Transfers	Balance - End of Year
Swimming.....	\$ —	\$ 250	\$ 250	\$ —
MS Boys Basketball.....	—	2,335	2,335	—
HS Boys Basketball.....	—	3,980	3,980	—
MS Football.....	—	1,849	1,849	—
HS Football.....	—	14,830	14,830	—
Baseball.....	—	8,403	8,403	—
HS Boys Track.....	—	3,747	3,747	—
MS Boys Track.....	—	433	433	—
Boys Golf.....	—	1,551	1,551	—
Boys Soccer.....	—	353	353	—
Boys Tennis.....	—	792	792	—
MS Wrestling.....	—	496	496	—
HS Wrestling.....	—	4,737	4,310	427
MS Girls Basketball.....	—	2,442	2,442	—
HS Girls Basketball.....	—	3,576	3,576	—
MS Volleyball.....	—	1,967	1,967	—
HS Volleyball.....	—	7,465	6,295	1,170
Girls Soccer.....	—	353	353	—
Softball.....	—	3,390	3,390	—
HS Girls Track.....	—	3,533	2,328	1,205
MS Girls Track.....	—	2,769	2,769	—
Girls Golf.....	—	1,080	1,080	—
Girls Tennis.....	—	761	761	—
HS Activity Tickets.....	—	8,307	8,307	—
MS Activity Tickets.....	—	1,181	1,123	58
MS Concession Stand.....	—	3,677	1,187	2,490
HS Concession Stand.....	—	35,327	33,079	2,248
Vending Machine Sales.....	—	6,623	—	6,623
Student Planning Committee.....	—	513	36	477
MS Builders Club.....	—	788	788	—
Miscellaneous.....	—	2,952	—	2,952
	<u>\$ 36,472</u>	<u>\$ 225,528</u>	<u>\$ 189,225</u>	<u>\$ 72,775</u>

Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 1,534,907	\$ 95,532	\$ 1,630,439
Receivables			
Property Tax			
Current year delinquent	—	3,881	3,881
Succeeding year	—	348,720	348,720
Due from other governments	297,395	—	297,395
Other	—	18	18
Total Assets	<u>\$ 1,832,302</u>	<u>\$ 448,151</u>	<u>\$ 2,280,453</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 12,430	\$ —	\$ 12,430
Deferred Revenue			
Succeeding year property tax	—	348,720	348,720
Total Liabilities	<u>12,430</u>	<u>348,720</u>	<u>361,150</u>
Fund Balances			
Restricted for			
Debt service	743,746	—	743,746
School infrastructure	1,076,126	—	1,076,126
Physical plant and equipment	—	99,431	99,431
Total Fund Balances	<u>1,819,872</u>	<u>99,431</u>	<u>1,919,303</u>
Total Liabilities and Fund Balances	<u>\$ 1,832,302</u>	<u>\$ 448,151</u>	<u>\$ 2,280,453</u>

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

Year Ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenue			
Local Sources			
Local tax	\$ 979,245	\$ 328,669	\$ 1,307,914
Other.....	9,219	8,021	17,240
State sources	<u>—</u>	<u>25,000</u>	<u>25,000</u>
Total Revenue	<u>988,464</u>	<u>361,690</u>	<u>1,350,154</u>
Expenditures			
Current			
Support Services			
Instruction staff services	69,997	113,093	183,090
Administration services	—	53,559	53,559
Operation and maintenance of plant services	—	52,662	52,662
Transportation services	<u>—</u>	<u>98,448</u>	<u>98,448</u>
Total Support Services.....	<u>69,997</u>	<u>317,762</u>	<u>387,759</u>
Other Expenditures			
Facilities acquisition and construction	<u>180,453</u>	<u>27,033</u>	<u>207,486</u>
Total Expenditures.....	<u>250,450</u>	<u>344,795</u>	<u>595,245</u>
Excess of Revenue Over Expenditures	<u>738,014</u>	<u>16,895</u>	<u>754,909</u>
Other Financing Uses			
Operating transfers out.....	<u>(247,453)</u>	<u>—</u>	<u>(247,453)</u>
Net Change in Fund Balances	<u>490,561</u>	<u>16,895</u>	<u>507,456</u>
Fund Balances - Beginning of Year, as previously reported			
	725,652	82,536	808,188
Prior period restatement (Note 14)	<u>603,659</u>	<u>—</u>	<u>603,659</u>
Fund Balances - Beginning of Year, as Restated	<u>1,329,311</u>	<u>82,536</u>	<u>1,411,847</u>
Fund Balances - End of Year	<u>\$ 1,819,872</u>	<u>\$ 99,431</u>	<u>\$ 1,919,303</u>

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund ▬

Year Ended June 30, 2013

	Balance - Beginning of Year	Additions	Deductions	Balance - End of Year
Assets				
Cash, cash equivalents and pooled investments.....	<u>\$ 1,483</u>	<u>\$ 9,320</u>	<u>\$ 1,483</u>	<u>\$ 9,320</u>
Liabilities				
Accounts payable	<u>\$ 1,483</u>	<u>\$ 9,320</u>	<u>\$ 1,483</u>	<u>\$ 9,320</u>

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

For the Last Ten Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue										
Local Sources										
Local tax	\$ 6,132,509	\$ 6,175,471	\$ 5,666,628	\$ 5,653,892	\$ 5,951,406	\$ 5,558,155	\$ 5,212,791	\$ 4,891,927	\$ 4,132,199	\$ 3,547,166
Tuition	433,545	470,494	365,882	352,775	343,608	310,974	247,231	280,604	249,601	289,616
Other	510,613	758,089	536,922	649,846	684,545	890,486	779,212	494,212	1,023,487	406,629
Intermediate sources	6,700	9,240	—	—	—	—	—	—	—	—
State sources	7,238,885	7,141,572	6,825,588	5,548,193	6,466,110	6,049,643	5,892,259	5,450,579	5,190,228	4,933,980
Federal sources.....	<u>812,572</u>	<u>990,319</u>	<u>793,066</u>	<u>1,121,623</u>	<u>416,487</u>	<u>365,253</u>	<u>309,272</u>	<u>539,351</u>	<u>281,425</u>	<u>1,058,244</u>
Total	<u>\$ 15,134,824</u>	<u>\$ 15,545,185</u>	<u>\$ 14,188,086</u>	<u>\$ 13,326,329</u>	<u>\$ 13,862,156</u>	<u>\$ 13,174,511</u>	<u>\$ 12,440,765</u>	<u>\$ 11,656,673</u>	<u>\$ 10,876,940</u>	<u>\$ 10,235,635</u>
Expenditures										
Instruction.....	\$ 9,125,513	\$ 8,902,293	\$ 8,556,421	\$ 8,200,129	\$ 7,742,453	\$ 7,582,925	\$ 7,065,695	\$ 6,997,408	\$ 5,911,398	\$ 6,114,276
Support Services										
Student services	353,159	381,698	343,821	276,310	275,627	318,331	435,746	276,580	231,504	247,540
Instructional staff services	711,817	576,618	794,057	600,898	334,231	588,486	574,654	554,673	537,013	424,745
Administration services	1,222,975	1,026,923	1,004,631	1,055,358	937,527	895,293	992,143	840,642	696,654	666,446
Operations and maintenance of plant services.....	980,639	858,475	862,776	889,838	899,872	976,448	996,419	908,120	818,084	798,856
Transportation services.....	466,924	370,237	563,898	472,776	503,631	472,626	469,573	472,622	425,901	374,308
Other Expenditures										
Facilities acquisition and construction	207,486	2,554,563	2,714,554	328,844	676,698	1,137,056	2,794,866	5,774,418	1,840,267	2,174,885
Long-Term Debt										
Principal	480,000	1,723,145	570,000	545,000	530,000	510,000	620,891	420,876	120,819	115,765
Interest and fiscal charges.....	384,691	420,929	304,733	327,596	338,365	352,120	374,007	488,742	60,321	23,272
AEA flowthrough	<u>481,980</u>	<u>487,060</u>	<u>533,139</u>	<u>506,620</u>	<u>444,565</u>	<u>415,018</u>	<u>397,607</u>	<u>366,219</u>	<u>350,987</u>	<u>355,601</u>
Total	<u>\$ 14,415,184</u>	<u>\$ 17,301,941</u>	<u>\$ 16,248,030</u>	<u>\$ 13,203,369</u>	<u>\$ 12,682,969</u>	<u>\$ 13,248,303</u>	<u>\$ 14,721,601</u>	<u>\$ 17,100,300</u>	<u>\$ 10,992,948</u>	<u>\$ 11,295,694</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Agriculture - Indirect			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program.....	10.553	FY 13	\$ 88,613
National School Lunch Program	10.555	FY 13	351,221*
Summer Food Service Program for Children	10.559	FY 13	<u>22,588</u>
Total Child Nutrition Cluster			<u>462,422</u>
Fresh Fruit and Vegetable Program	10.582	FY 13	<u>20,859</u>
Total U.S. Department of Agriculture.....			<u>483,281</u>
U.S. Department of Education - Indirect			
Pass-Through From Area Education Agency 267			
Special Education - Grants to States.....	84.027	FY 13	<u>65,191</u>
Pass-Through From Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY 13	<u>455,832</u>
English Language Acquisition State Grants	84.365	FY 13	<u>1,816</u>
Improving Teacher Quality State Grants	84.367	FY 13	<u>43,430</u>
Grants for State Assessments and Related Activities	84.369	FY 13	<u>8,944</u>
Total Pass-Through From Iowa Department of Education			<u>510,022</u>
Total U.S. Department of Education			<u>575,213</u>
Total			<u>\$ 1,058,494</u>

* Includes \$45,411 of noncash awards

Basis of Presentation

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

Subrecipients

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Hampton-Dumont Community School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hampton-Dumont Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are 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 Hampton-Dumont Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hampton-Dumont 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 and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying schedule of findings and questioned costs as items 13-II-R-1, 13-II-R-2, 13-II-R-3 and 13-II-R-4 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying schedule of findings and questioned costs as item 13-II-R-5 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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.

Hampton-Dumont Community School District's Response to Findings

Hampton-Dumont Community School District's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Hampton-Dumont 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 control and compliance and the results 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.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
January 14, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Hampton-Dumont Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Hampton-Dumont Community School District's major federal programs for the year ended June 30, 2013. Hampton-Dumont Community School District's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hampton-Dumont Community School District's major federal programs based on our audit of the types of compliance requirements referred to above.

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

Opinion on Each Major Federal Program

In our opinion, Hampton-Dumont Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 13-III-R-1 to be a material weakness.

Hampton-Dumont Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Hampton-Dumont Community School District's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
January 14, 2014

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Part I: Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness identified? yes no

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

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

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

Identification of major programs:

CFDA Numbers

Child Nutrition Cluster

10.553

10.555

10.559

84.010

Name of Federal Program or Cluster

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

Title I Grants to Local Educational
Agencies

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

\$300,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2013

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

13-II-R-1 Segregation of Duties

Finding - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The limited number of accounting personnel employed by the District makes it difficult to achieve adequate control procedures through segregation of duties. The concentration of closely related duties and responsibilities, such as recording and preparing cash receipts, preparing and recording checks and preparation of journals and general financial information for posting makes it difficult to establish an adequate system of automatic internal checks on accounting record accuracy and reliability.

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

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

Auditor's Conclusion - Response accepted.

13-II-R-2 Financial Statement Preparation

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

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

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

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2013

13-II-R-3 Certified Annual Report

Finding - The Certified Annual Report (CAR) was filed with the Iowa Department of Education timely, but we noted numerous differences between the amounts reported and the District's general ledger. Prior to filing, the District also required significant assistance with preparing the general ledger for upload to the Iowa Department of Education website including proposing various adjustments.

Auditor's Recommendation - Procedures should be established to make sure the CAR is reconciled with accounting records and reviewed by a member of management prior to being filed. We also recommend the District obtain additional training on CAR preparation and use of the general ledger software.

District's Response - We will establish procedures to reconcile the report with accounting records and will consider obtaining training as necessary.

Auditor's Conclusion - Response accepted.

13-II-R-4 Bank Reconciliations

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

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

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

Auditor's Conclusion - Response accepted.

13-II-R-5 Disbursements

Finding - During our audit, we noted one disbursement to Casey's General Store for \$21.00 which did not have proper support attached to document public purpose and one disbursement that contained a math error that resulting in excess reimbursement to an employee.

Auditor's Recommendation - The District should have procedures in place to ensure that all expenditures comply with Board policies and have appropriate supporting documentation. We also recommend the District recalculate employee reimbursements as part of its approval process.

District's Response - We will ensure that all expenditures comply with Board policies and paper supporting documentation is obtained. We will also recalculate employee reimbursements prior to disbursement.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Part III: Findings and Questioned Costs For Federal Awards

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

All Programs Displayed on the Schedule of Expenditures of Federal Awards

13-III-R-1 Segregation of Duties - Adequate control procedures through the segregation of employee duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See finding 13-II-R-1 for additional information.

Part IV: Other Findings Related to Statutory Reporting

13-IV-A Certified Budget

Findings - Expenditures for the year ended June 30, 2013 exceeded the certified budget amount in the noninstructional program function, and we noted the budget amendment was not adopted by May 31, in accordance with Chapter 24.9 of the Code of Iowa.

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

District's Response - Future budgets will be amended and adopted timely in sufficient amounts to ensure the certified budget is not exceeded and amendments comply with Chapter 24.9 of the Code of Iowa.

Auditor's Conclusion - Response accepted.

13-IV-B Questionable Expenditures - Except as noted in finding 13-II-R-5, we noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

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

13-IV-F Board Minutes

Finding - We noted one instance where the minutes of the Board of Education proceedings were not published as required by Chapter 279.35 of the Code of Iowa. No transactions were noted that we believe should have been approved in the Board minutes but were not.

Auditor's Recommendation - The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

District's Response - Procedures will be revised to ensure the minutes will be published as required.

Auditor's Conclusion - Response accepted.

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

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

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

13-IV-J Certified Annual Report - The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education, but we noted numerous differences between the amounts reported and the District's general ledger. See finding 13-II-R-3 for additional information.

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

13-IV-L Statewide Sales, Services and Use Tax - No instances of noncompliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Beginning balance, as restated (Note 14).....		\$ 1,329,311
Revenue		
Sales tax revenue	\$ 979,245	
Other local revenue	<u>9,219</u>	988,464
Expenditures/Transfers Out		
School infrastructure construction	\$ 180,453	
Equipment	69,997	
Transfer to Other Funds		
Debt Service Fund	<u>247,453</u>	<u>497,903</u>
Ending Balance		<u>\$ 1,819,872</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.

13-IV-M Financial Condition

Finding - The Debt Service Fund had a deficit balance of \$41,754 as of June 30, 2013.

Auditor's Recommendation - The District should investigate alternatives to eliminate deficits in order to return this fund to a sound financial position.

District's Response - We will transfer resources or levy additional taxes to eliminate the deficit balance as necessary.

Auditor's Conclusion - Response accepted.