

HINTON COMMUNITY SCHOOL DISTRICT

Hinton, Iowa

**Independent Auditor's Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings**

June 30, 2013

HINTON COMMUNITY SCHOOL DISTRICT

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HINTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2013

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>BOARD OF EDUCATION</u>		
Robert Held	President	2013
Lynette Blanchard	Vice President	2015
Randy Riediger	Board Member	2015
John Reintzel	Board Member	2013
Brett Stanley	Board Member	2015
<u>SCHOOL OFFICIALS</u>		
Peter Stuerman	Superintendent	2013
Melissa Sanders	District Secretary	2013
James Hanks	Attorney	Indefinite



INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Hinton Community School District

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 Hinton Community School District (the District), Hinton, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof 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 5 through 12 and 41 through 43 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 who considers it to be an essential part of 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.



The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2014, on our consideration of the District's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

January 16, 2014
Sioux City, Iowa

King, Reinsch, Frosser & Co., L.L.P.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2013 Financial Highlights

- General Fund revenues increased from \$6,308,961 in fiscal year 2012 to \$6,569,088 in fiscal year 2013, while General Fund expenditures increased from \$6,057,770 in fiscal year 2012 to \$6,426,641 in fiscal year 2013. The District's General Fund balance increased from \$1,188,269 in fiscal year 2012 to \$1,330,716 in fiscal year 2013, a 12.0 percent increase.
- The increase in General Fund revenues was primarily attributable to additional preschool state aid and an increase in open enrollment students.
- The increase in General Fund expenditures was primarily attributable to approved increases in salaries, an increase in use of substitutes, the District's need to purchase additional supplies, technology and textbooks, and settling any pending issues left from the construction of the new elementary school.

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 the 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 the District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds and Capital Project Funds.

Reporting the District's Financial Activities

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

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

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

- Governmental Activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- Business Type Activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition, before and after school, and child/adult care food programs are included here.

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

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

The District has three kinds of funds.

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

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

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

2. **Proprietary Funds** - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition Fund, the Before and After School Program, and the Child/Adult Care Food Program.

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

3. **Fiduciary Funds** - The District is the trustee, or fiduciary, for assets that belong to others. These 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 - This is a fund through which the District administers and accounts for certain revenue collected for District employee related expenditures.

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 includes 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-1 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-1 (In Thousands)
Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Total</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>Percentage</u> <u>Change</u> <u>2012-2013</u>
Current and other assets	\$ 6,889	\$ 6,751	\$ 77	\$ 115	\$ 6,966	\$ 6,866	1.5%
Capital assets, net	12,838	12,977	31	32	12,869	13,009	(1.1%)
Total assets	\$ 19,727	\$ 19,728	\$ 108	\$ 147	\$ 19,835	\$ 19,875	(0.2%)
Long-term liabilities	\$ 9,475	\$ 9,899	\$ -	\$ -	\$ 9,475	\$ 9,899	(4.3%)
Other liabilities	3,802	3,913	13	13	3,815	3,926	(2.9%)
Total liabilities	\$ 13,277	\$ 13,812	\$ 13	\$ 13	\$ 13,290	\$ 13,825	(3.9%)
Net position:							
Net investment in capital assets	\$ 3,708	\$ 3,559	\$ 31	\$ 32	\$ 3,739	\$ 3,591	4.1%
Restricted	1,472	1,368	-	-	1,472	1,368	7.6%
Unrestricted	1,270	989	64	102	1,334	1,091	22.3%
Total net position	\$ 6,450	\$ 5,916	\$ 95	\$ 134	\$ 6,545	\$ 6,050	8.2%

The District's total net position increased 8.2 percent, or approximately \$495,000, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, 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 represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$104,000, or 7.6 percent over the prior year. The increase was primarily due to greater amounts in categorical funding and the change in the special revenue funds.

Unrestricted net position represent resources that can be used to finance day to day operations without constraints established by debt covenants, enabling legislation or other legal requirements. The District's unrestricted net position increased approximately \$243,000, or 22.3 percent over the prior year. The increase was primarily a result of the net increase seen in the general fund.

Figure A-2 shows the changes in net position for the years ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-2 (In Thousands)
Change in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for services	\$ 1,768	\$ 1,637	\$ 400	\$ 421	\$ 2,168	\$ 2,058	5.3%
Operating grants, contributions and restricted interest	806	763	106	103	912	866	5.3%
Capital grants, contributions and restricted interest	1	15	-	-	1	15	(93.3%)
General revenues:							
Property tax	2,795	2,776	-	-	2,795	2,776	0.7%
Unrestricted state grants	2,035	2,025	-	-	2,035	2,025	0.5%
Unrestricted investment earnings	14	26	-	-	14	26	(46.2%)
Local surtax	478	225	-	-	478	225	112.4%
Statewide sales, services and use tax	418	414	-	-	418	414	1.0%
Other	106	61	-	-	106	61	73.8%
Total revenues	<u>\$ 8,421</u>	<u>\$ 7,942</u>	<u>\$ 506</u>	<u>\$ 524</u>	<u>\$ 8,927</u>	<u>\$ 8,466</u>	<u>5.4%</u>
Program expenses:							
Instruction	\$ 5,289	\$ 5,115	\$ -	\$ -	\$ 5,289	\$ 5,115	3.4%
Support services	1,938	1,838	-	-	1,938	1,838	5.4%
Non-instructional programs	-	-	545	500	545	500	9.0%
Other expenses	660	709	-	-	660	709	(6.9%)
Total expenses	<u>\$ 7,887</u>	<u>\$ 7,662</u>	<u>\$ 545</u>	<u>\$ 500</u>	<u>\$ 8,432</u>	<u>\$ 8,162</u>	<u>3.3%</u>
Change in net position	<u>\$ 534</u>	<u>\$ 280</u>	<u>\$ (39)</u>	<u>\$ 24</u>	<u>\$ 495</u>	<u>\$ 304</u>	<u>62.8%</u>

In fiscal year 2013, property tax and unrestricted state grants accounted for 54.1 percent of the total revenue (56.7 percent in 2012). The District's expenses primarily relate to instruction and support services, which account for 85.7 percent of the total expenses (85.2 percent in 2012).

The District's total revenues were approximately \$8.9 million, of which approximately \$8.4 million was from governmental activities and approximately \$506,000 was from business type activities.

As shown in Figure A-2, the District as a whole experienced a 5.4 percent increase in revenues and a 3.3 percent increase in expenses. Property tax revenue increased approximately \$19,000 primarily due to the valuation of property increasing; unrestricted state grants increased \$10,000 due to additional preschool state aid and program revenues increased approximately \$142,000 due to an increase in open enrollment. The increase in expenses is primarily due to salaries and benefits.

Governmental Activities - Revenues for governmental activities were \$8,421,197 and expenses were \$7,887,272. Governmental activities revenue increased over 2012 as previously discussed. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-3 (In Thousands)
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
			Percent			Percent
	2013	2012	Change 2012-2013	2013	2012	Change 2012-2013
Instruction	\$ 5,289	\$ 5,115	3.4%	\$ 2,923	\$ 2,924	0.0%
Support services	1,938	1,838	5.4%	1,933	1,832	5.5%
Other expenses	660	709	(6.9%)	455	490	(7.1%)
Totals	<u>\$ 7,887</u>	<u>\$ 7,662</u>	<u>2.9%</u>	<u>\$ 5,311</u>	<u>\$ 5,246</u>	<u>1.2%</u>

- The cost financed by users of the District's programs was \$1,768,120 (\$1,637,308 in 2012).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$806,544 (\$763,299 in 2012).
- The net cost of governmental activities was financed with \$3,690,800 in property and other taxes (\$3,414,726 in 2012) and \$2,034,753 in unrestricted state grants (\$2,024,563 in 2012).

Business Type Activities - Revenues for business type activities during the year ended June 30, 2013 were \$505,615 (\$524,507 in 2012) and expenses were \$544,693 (\$500,382 in 2012). The District's business type activities include the School Nutrition, Before and After School Program and Child/Adult Care Food Program. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The decrease in revenues is primarily due to less participation in the school nutrition program. The increase in expenses is primarily due to required school nutrition serving offerings and staffing of preschool program.

Individual Fund Analysis

As previously noted, the 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 a combined fund balance of \$2,874,989, above last year's ending fund balances of \$2,851,568. The District's proprietary funds reported end of year net position of \$94,784, below last year's ending fund balances of \$133,862.

Governmental Fund Highlights

The District's General Fund balance increased primarily due to the increase in revenues as previously discussed.

The Capital Projects Fund balance decrease was due to large expenditures for facility improvements and the final payment of the new elementary school.

The Special Revenue Fund Balance increased due to increases in local tax revenues.

Proprietary Fund Highlights

Proprietary fund net position decreased \$39,078 from \$133,862 in 2012 to \$94,784 in 2013 mainly due to decreased participation in lunch program.

Budgetary Highlights

Over the course of the year, the District amended its budget one time to reflect annual increases in expenditures not previously budgeted for.

The District's total revenues were \$305,669 more than budgeted revenues, a variance of 3.6 percent. The most significant variance resulted from higher than expected local source and federal revenues due to increase in open enrollment. The District's total expenditures were \$155,369 more than budgeted, a variance of 1.8 percent.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs and other expenditures functional areas due to the need for additional supplies, textbooks and technology, increased participation in WITCC Classes, and higher than expected repairs, fuel and utilities.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2013, the District had invested \$12,868,910, 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-4). More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$445,516.

The original cost of the District's capital assets was \$17,698,627. Governmental funds account for \$17,610,775, with the remainder of \$87,852 accounted for in the Proprietary, School Nutrition Fund and Before and After School Program.

Figure A-4 (In Thousands)
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Percent
	2013	2012	2013	2012	2013	2012	Change
	2012-2013						
Land	\$ 867	\$ 867	\$ -	\$ -	\$ 867	\$ 867	0.0%
Buildings	10,246	10,514	-	-	10,246	10,514	(2.5%)
Improvements other than buildings	880	816	-	-	880	816	7.8%
Furniture and equipment	845	780	31	32	876	812	7.9%
Totals	\$ 12,838	\$ 12,977	\$ 31	\$ 32	\$ 12,869	\$ 13,009	(1.1%)

Long-Term Debt - At June 30, 2013, the District had \$9,474,506 in total long-term debt outstanding. Additional information about the District's long-term liabilities is presented in Note 6 to the financial statements.

Figure A-5 (In Thousands)
Long-Term Liabilities

	Total District		Total
	June 30,		Change
	2013	2012	June 30, 2012-2013
General obligation capital loan note	\$ 300	\$ 395	(24.1%)
General obligation bond payable	5,260	5,480	(4.0%)
Revenue bonds	3,530	3,665	(3.7%)
Note payable	40	52	(23.1%)
Early retirement	116	126	(7.9%)
Net OPEB liability	229	181	26.5%
Total	\$ 9,475	\$ 9,899	(4.3%)

Economic Factors Bearing on the District's Future

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

- Changes in open enrollment.
- Increases in state allowable growth.

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 Paula Schreck, District Business Manager, Hinton Community School District, 315 W. Grand, P.O. Box 128, Hinton, Iowa 51024.

BASIC FINANCIAL STATEMENTS

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 3,457,310	\$ 67,683	\$ 3,524,993
Receivables:			
Property tax:			
Delinquent	18,454	-	18,454
Succeeding year	2,900,347	-	2,900,347
Accounts	177,117	2,767	179,884
Due from other governments	302,623	417	303,040
Inventories	1,007	6,361	7,368
Deferred charges	32,180	-	32,180
Capital assets, net of accumulated depreciation	<u>12,837,692</u>	<u>31,218</u>	<u>12,868,910</u>
Total assets	<u>\$ 19,726,730</u>	<u>\$ 108,446</u>	<u>\$ 19,835,176</u>
LIABILITIES:			
Accounts payable	\$ 182,222	\$ 898	\$ 183,120
Salaries and benefits payable	674,653	12,764	687,417
Accrued interest payable	44,867	-	44,867
Unearned revenue - succeeding year property tax	2,900,347	-	2,900,347
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	20,515	-	20,515
Revenue bonds payable	140,000	-	140,000
General obligation capital loan note	95,000	-	95,000
General obligation bond payable	230,000	-	230,000
Note payable	12,803	-	12,803
Portion due after one year:			
Early retirement payable	95,466	-	95,466
Revenue bonds payable	3,390,000	-	3,390,000
General obligation capital loan note	205,000	-	205,000
General obligation bond payable	5,030,000	-	5,030,000
Note payable	27,322	-	27,322
Net OPEB liability	<u>228,400</u>	<u>-</u>	<u>228,400</u>
Total liabilities	<u>\$ 13,276,595</u>	<u>\$ 13,662</u>	<u>\$ 13,290,257</u>
NET POSITION:			
Net investment in capital assets	\$ 3,707,567	\$ 31,218	\$ 3,738,785
Restricted for:			
Categorical funding	56,485	-	56,485
Capital projects	730,277	-	730,277
Other special revenue purposes	142,577	-	142,577
Debt service	542,751	-	542,751
Unrestricted	<u>1,270,478</u>	<u>63,566</u>	<u>1,334,044</u>
Total net position	<u>\$ 6,450,135</u>	<u>\$ 94,784</u>	<u>\$ 6,544,919</u>
Total liabilities and net position	<u>\$ 19,726,730</u>	<u>\$ 108,446</u>	<u>\$ 19,835,176</u>

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

		<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	<u>Expenses</u>			
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 4,055,905	\$ 1,284,281	\$ 510,005	\$ -
Special instruction	552,806	215,188	83,329	-
Other instruction	<u>680,784</u>	<u>268,297</u>	<u>5,261</u>	-
	<u>\$ 5,289,495</u>	<u>\$ 1,767,766</u>	<u>\$ 598,595</u>	<u>\$ -</u>
Support services:				
Student services	\$ 253,858	\$ -	\$ -	\$ -
Instructional staff services	159,247	-	-	-
Administration services	695,329	-	-	-
Operation and maintenance of plant services	429,844	354	-	-
Transportation services	<u>399,829</u>	<u>-</u>	<u>4,849</u>	<u>-</u>
	<u>\$ 1,938,107</u>	<u>\$ 354</u>	<u>\$ 4,849</u>	<u>\$ -</u>
Other expenditures:				
Facilities acquisition	\$ 48,779	\$ -	\$ -	\$ 1,100
Long-term debt interest	407,791	-	-	-
AEA flow through	<u>203,100</u>	<u>-</u>	<u>203,100</u>	<u>-</u>
	<u>\$ 659,670</u>	<u>\$ -</u>	<u>\$ 203,100</u>	<u>\$ 1,100</u>
Total governmental activities	\$ 7,887,272	\$ 1,768,120	\$ 806,544	\$ 1,100
Business type activities:				
Non-instructional programs:				
Food service operations	\$ 297,742	\$ 160,015	\$ 105,734	\$ -
Before and After School Program	25,083	30,963	-	-
Child/Adult Care Food Program	<u>221,868</u>	<u>208,595</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,431,965</u>	<u>\$ 2,167,693</u>	<u>\$ 912,278</u>	<u>\$ 1,100</u>
GENERAL REVENUES:				
Property tax levied for:				
General purposes				
Debt service				
Management levy				
Physical plant and equipment levy				
Unrestricted state grants				
Unrestricted investment earnings				
Local surtax				
Statewide sales, services and use tax				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
\$ (2,261,619)	\$ -	\$ (2,261,619)
(254,289)	-	(254,289)
<u>(407,226)</u>	<u>-</u>	<u>(407,226)</u>
\$ (2,923,134)	\$ -	\$ (2,923,134)
\$ (253,858)	\$ -	\$ (253,858)
(159,247)	-	(159,247)
(695,329)	-	(695,329)
(429,490)	-	(429,490)
(394,980)	-	(394,980)
<u>\$ (1,932,904)</u>	<u>\$ -</u>	<u>\$ (1,932,904)</u>
\$ (47,679)	\$ -	\$ (47,679)
(407,791)	-	(407,791)
<u>-</u>	<u>-</u>	<u>-</u>
\$ (455,470)	\$ -	\$ (455,470)
\$ (5,311,508)	\$ -	\$ (5,311,508)
\$ -	\$ (31,993)	\$ (31,993)
-	5,880	5,880
<u>-</u>	<u>(13,273)</u>	<u>(13,273)</u>
<u>\$ (5,311,508)</u>	<u>\$ (39,386)</u>	<u>\$ (5,350,894)</u>
\$ 1,971,150	\$ -	\$ 1,971,150
446,642	-	446,642
189,842	-	189,842
187,012	-	187,012
2,034,753	-	2,034,753
13,532	308	13,840
478,068	-	478,068
418,086	-	418,086
<u>106,348</u>	<u>-</u>	<u>106,348</u>
\$ 5,845,433	\$ 308	\$ 5,845,741
\$ 533,925	\$ (39,078)	\$ 494,847
<u>5,916,210</u>	<u>133,862</u>	<u>6,050,072</u>
\$ 6,450,135	\$ 94,784	\$ 6,544,919

HINTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
ASSETS:					
Cash, cash equivalents and pooled investments	\$ 1,869,208	\$ 466,433	\$ 856,339	\$ 265,330	\$ 3,457,310
Receivables:					
Property tax:					
Delinquent	13,099	2,886	1,208	1,261	18,454
Succeeding year	2,005,745	447,975	196,627	250,000	2,900,347
Accounts	177,117	-	-	-	177,117
Due from other governments	237,655	-	64,968	-	302,623
Due from other funds	-	-	2,701	-	2,701
Inventories	-	-	-	1,007	1,007
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,007</u>	<u>1,007</u>
Total assets	<u>\$ 4,302,824</u>	<u>\$ 917,294</u>	<u>\$ 1,121,843</u>	<u>\$ 517,598</u>	<u>\$ 6,859,559</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 67,063	\$ -	\$ 106,119	\$ 9,040	\$ 182,222
Salaries and benefits payable	674,653	-	-	-	674,653
Due to other funds	-	2,701	-	-	2,701
Deferred revenue:					
Succeeding year property tax	2,005,745	447,975	196,627	250,000	2,900,347
Other	224,647	-	-	-	224,647
Total liabilities	<u>\$ 2,972,108</u>	<u>\$ 450,676</u>	<u>\$ 302,746</u>	<u>\$ 259,040</u>	<u>\$ 3,984,570</u>
Fund balances:					
Restricted for:					
Categorical funding	\$ 56,485	\$ -	\$ -	\$ -	\$ 56,485
Debt service	-	466,618	121,000	-	587,618
Management levy purposes	-	-	-	104,630	104,630
Student activities	-	-	-	153,928	153,928
School infrastructure	-	-	496,167	-	496,167
Physical plant and equipment	-	-	201,930	-	201,930
Unassigned	1,274,231	-	-	-	1,274,231
Total fund balances	<u>\$ 1,330,716</u>	<u>\$ 466,618</u>	<u>\$ 819,097</u>	<u>\$ 258,558</u>	<u>\$ 2,874,989</u>
Total liabilities and fund balances	<u>\$ 4,302,824</u>	<u>\$ 917,294</u>	<u>\$ 1,121,843</u>	<u>\$ 517,598</u>	<u>\$ 6,859,559</u>

HINTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET POSITION

JUNE 30, 2013

Total fund balances of governmental funds	\$ 2,874,989
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	12,837,692
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.	(44,867)
Deferred charges are not financial resources and, therefore, are not reported as assets in the governmental funds.	32,180
Assets recognized in the statement of position but deferred in the governmental funds.	224,647
Long-term liabilities, including bonds and notes payable, early retirement, and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(9,474,506)</u>
Net position of governmental activities	<u>\$ 6,450,135</u>

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,224,571	\$ 446,642	\$ 605,099	\$ 189,842	\$ 3,466,154
Tuition	1,435,910	-	-	-	1,435,910
Other	67,310	-	5,367	380,513	453,190
State sources	2,718,625	-	-	-	2,718,625
Federal sources	122,672	-	-	-	122,672
Total revenues	<u>\$ 6,569,088</u>	<u>\$ 446,642</u>	<u>\$ 610,466</u>	<u>\$ 570,355</u>	<u>\$ 8,196,551</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 3,710,473	\$ -	\$ -	\$ 62,157	\$ 3,772,630
Special instruction	519,030	-	-	-	519,030
Other instruction	275,222	-	-	370,518	645,740
	<u>\$ 4,504,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 432,675</u>	<u>\$ 4,937,400</u>
Support services:					
Student services	\$ 238,347	\$ -	\$ -	\$ -	\$ 238,347
Instructional staff services	38,258	-	-	111,260	149,518
Administration services	652,845	-	-	-	652,845
Operation and maintenance of plant services	413,966	-	-	-	413,966
Transportation services	375,400	-	-	-	375,400
	<u>\$ 1,718,816</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,260</u>	<u>\$ 1,830,076</u>
Other expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 331,918	\$ -	\$ 331,918
Long-term debt:					
Principal	-	450,000	12,264	-	462,264
Interest and fiscal charges	-	406,067	2,305	-	408,372
AEA flow through	203,100	-	-	-	203,100
	<u>\$ 203,100</u>	<u>\$ 856,067</u>	<u>\$ 346,487</u>	<u>\$ -</u>	<u>\$ 1,405,654</u>
Total expenditures	<u>\$ 6,426,641</u>	<u>\$ 856,067</u>	<u>\$ 346,487</u>	<u>\$ 543,935</u>	<u>\$ 8,173,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 142,447</u>	<u>\$ (409,425)</u>	<u>\$ 263,979</u>	<u>\$ 26,420</u>	<u>\$ 23,421</u>
Other financing sources (uses):					
Operating transfers in	\$ -	\$ 412,099	\$ -	\$ -	\$ 412,099
Operating transfers out	-	-	(412,099)	-	(412,099)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 412,099</u>	<u>\$ (412,099)</u>	<u>\$ -</u>	<u>\$ -</u>
Change in fund balances	\$ 142,447	\$ 2,674	\$ (148,120)	\$ 26,420	\$ 23,421
Fund balances beginning of year	<u>1,188,269</u>	<u>463,944</u>	<u>967,217</u>	<u>232,138</u>	<u>2,851,568</u>
Fund balances end of year	<u>\$ 1,330,716</u>	<u>\$ 466,618</u>	<u>\$ 819,097</u>	<u>\$ 258,558</u>	<u>\$ 2,874,989</u>

HINTON COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds		\$	23,421
Amounts reported for governmental activities in the Statement of Activities are different because:			
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:			
Expenditures for capital assets		\$	301,178
Depreciation expense			<u>(440,396)</u>
			(139,218)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.			224,647
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.			462,264
The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.			(1,984)
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.			2,565
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:			
Early retirement		\$	9,730
Other postemployment benefits			<u>(47,500)</u>
			(37,770)
Change in net position of governmental activities		\$	<u>533,925</u>

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENTS OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2013

	<u>School Nutrition</u>	<u>Before and After School Program</u>	<u>Child/Adult Care Food Program</u>	<u>Total</u>
ASSETS:				
Current assets:				
Cash, cash equivalents and pooled investments	\$ 3,335	\$ 18,203	\$ 46,145	\$ 67,683
Accounts receivable	445	737	1,585	2,767
Inventories	6,361	-	-	6,361
Due from other governments	417	-	-	417
Total current assets	<u>\$ 10,558</u>	<u>\$ 18,940</u>	<u>\$ 47,730</u>	<u>\$ 77,228</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	\$ 31,218	\$ -	\$ -	\$ 31,218
Total noncurrent assets	<u>\$ 31,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,218</u>
Total assets	<u>\$ 41,776</u>	<u>\$ 18,940</u>	<u>\$ 47,730</u>	<u>\$ 108,446</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 430	\$ 26	\$ 442	\$ 898
Salaries and benefits payable	5,997	-	6,767	12,764
Total current liabilities	<u>\$ 6,427</u>	<u>\$ 26</u>	<u>\$ 7,209</u>	<u>\$ 13,662</u>
Total liabilities	<u>\$ 6,427</u>	<u>\$ 26</u>	<u>\$ 7,209</u>	<u>\$ 13,662</u>
NET POSITION:				
Invested in capital assets	\$ 31,218	\$ -	\$ -	\$ 31,218
Unrestricted	4,131	18,914	40,521	63,566
Total net position	<u>\$ 35,349</u>	<u>\$ 18,914</u>	<u>\$ 40,521</u>	<u>\$ 94,784</u>
Total liabilities and net position	<u>\$ 41,776</u>	<u>\$ 18,940</u>	<u>\$ 47,730</u>	<u>\$ 108,446</u>

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2013

	<u>School Nutrition</u>	<u>Before and After School Program</u>	<u>Child/Adult Care Food Program</u>	<u>Total</u>
Operating revenues:				
Local sources:				
Charges for service	\$ 160,015	\$ 30,963	\$ 208,595	\$ 399,573
Operating expenses:				
Non-instructional programs:				
Food service operations:				
Salaries	\$ 90,644	\$ 17,250	\$ 136,396	\$ 244,290
Benefits	24,582	2,880	36,854	64,316
Purchased services	2,490	-	-	2,490
Supplies	171,867	4,953	47,339	224,159
Miscellaneous	3,039	-	1,279	4,318
Depreciation	5,120	-	-	5,120
Total operating expenses	<u>\$ 297,742</u>	<u>\$ 25,083</u>	<u>\$ 221,868</u>	<u>\$ 544,693</u>
Operating income (loss)	<u>\$ (137,727)</u>	<u>\$ 5,880</u>	<u>\$ (13,273)</u>	<u>\$ (145,120)</u>
Non-operating revenues:				
Interest income	\$ 28	\$ 89	\$ 191	\$ 308
State sources	2,603	-	-	2,603
Federal sources	103,131	-	-	103,131
Total non-operating revenues	<u>\$ 105,762</u>	<u>\$ 89</u>	<u>\$ 191</u>	<u>\$ 106,042</u>
Change in net position	\$ (31,965)	\$ 5,969	\$ (13,082)	\$ (39,078)
Net position beginning of year	<u>67,314</u>	<u>12,945</u>	<u>53,603</u>	<u>133,862</u>
Net position end of year	<u>\$ 35,349</u>	<u>\$ 18,914</u>	<u>\$ 40,521</u>	<u>\$ 94,784</u>

HINTON COMMUNITY SCHOOL DISTRICTSTATEMENTS OF CASH FLOWS - PROPRIETARY FUNDSYEAR ENDED JUNE 30, 2013

	<u>School Nutrition</u>	<u>Before and After School Program</u>	<u>Child/Adult Care Food Program</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 160,024	\$ -	\$ -	\$ 160,024
Cash received from before/after school parent payments	-	32,139	-	32,139
Cash received from child/adult care food program payments	-	-	207,433	207,433
Cash paid to employees for services	(115,093)	(20,130)	(172,023)	(307,246)
Cash paid to suppliers for goods or services	(159,625)	(4,927)	(48,724)	(213,276)
Net cash provided by (used by) operating activities	<u>\$ (114,694)</u>	<u>\$ 7,082</u>	<u>\$ (13,314)</u>	<u>\$ (120,926)</u>
Cash flows from non-capital financing activities:				
State grants received	\$ 2,603	\$ -	\$ -	\$ 2,603
Federal grants received	82,743	-	-	82,743
Net cash provided by non-capital financing activities	<u>\$ 85,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,346</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	\$ (4,330)	\$ -	\$ -	\$ (4,330)
Net cash used by capital and related financing activities	<u>\$ (4,330)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,330)</u>
Cash flows from investing activities:				
Interest on investments	\$ 28	\$ 89	\$ 191	\$ 308
Net change in cash, cash equivalents and pooled investments	\$ (33,650)	\$ 7,171	\$ (13,123)	\$ (39,602)
Cash, cash equivalents and pooled investments beginning of year	<u>36,985</u>	<u>11,032</u>	<u>59,268</u>	<u>107,285</u>
Cash, cash equivalents and pooled investments end of year	<u>\$ 3,335</u>	<u>\$ 18,203</u>	<u>\$ 46,145</u>	<u>\$ 67,683</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (137,727)	\$ 5,880	\$ (13,273)	\$ (145,120)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Commodities used	20,676	-	-	20,676
Depreciation	5,120	-	-	5,120
(Increase) decrease in inventories	(2,438)	-	-	(2,438)
(Increase) decrease in accounts receivable	9	1,176	(1,162)	23
Increase (decrease) in salaries and benefits payable	133	-	1,227	1,360
Increase (decrease) in accounts payable	(467)	26	(106)	(547)
Net cash provided by (used by) operating activities	<u>\$ (114,694)</u>	<u>\$ 7,082</u>	<u>\$ (13,314)</u>	<u>\$ (120,926)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$20,156 of federal commodities.

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENTS OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2013

	Private Purpose Trust	Agency
ASSETS:		
Cash, cash equivalents and pooled investments	\$ 38,493	\$ 372
Total assets	<u>\$ 38,493</u>	<u>\$ 372</u>
LIABILITIES:		
Due to others	\$ -	\$ 372
Total liabilities	<u>\$ -</u>	<u>\$ 372</u>
NET POSITION:		
Reserved for scholarships	\$ 38,493	\$ -
Total net position	<u>\$ 38,493</u>	<u>\$ -</u>
Total liabilities and net position	<u>\$ 38,493</u>	<u>\$ 372</u>

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 263
Interest income	55
Total additions	<u>\$ 318</u>
Deductions:	
Support services:	
Scholarships awarded	<u>\$ -</u>
Change in net position	\$ 318
Net position beginning of year	<u>38,175</u>
Net position end of year	<u><u>\$ 38,493</u></u>

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

- A. Reporting Entity - For financial reporting purposes, the 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 GASB 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 GASB criteria.

Jointly Governed Organization - 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 Plymouth County Assessor's Conference Board.

- B. Basis of Presentation

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

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The Statement of Net Position presents the District's non-fiduciary 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/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

Unrestricted Net Position - Consists of net position not meeting the definition of the preceding categories. Unrestricted net position often have constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

The District reports the following major proprietary funds:

The District's major proprietary funds consist of three enterprise funds, the School Nutrition Fund, the Before and After School Program and the Child/Adult Care Food Program. The School Nutrition Fund is used to account for the food service operations. The Before and After School Program Fund is used to account for tuition received and expenses related to this program. The Child/Adult Care Food Program is used to account for payments received and expenses related to this program.

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.

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

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

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

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

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

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

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

D. Assets, Liabilities and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2 percent per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment	5,000

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20
Intangibles	5-10
Furniture and equipment	5-15

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 and Unearned Revenue - Although certain revenues are measurable, they are 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 sixty days after year end.

Unearned 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.

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.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in the non-instructional programs and other expenditures areas exceeded the amounts budgeted.

NOTE 2 - CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS:

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$35,899 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's financial services.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 3 - CAPITAL ASSETS:

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 867,284	\$ -	\$ -	\$ 867,284
Total capital assets not being depreciated	<u>\$ 867,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 867,284</u>
Capital assets being depreciated:				
Buildings	\$ 13,187,166	\$ 39,609	\$ -	\$ 13,226,775
Improvements other than buildings	1,312,490	108,094	-	1,420,584
Furniture and equipment	<u>1,942,657</u>	<u>153,475</u>	<u>-</u>	<u>2,096,132</u>
Total capital assets being depreciated	<u>\$ 16,442,313</u>	<u>\$ 301,178</u>	<u>\$ -</u>	<u>\$ 16,743,491</u>
Less accumulated depreciation for:				
Buildings	\$ 2,672,602	\$ 308,277	\$ -	\$ 2,980,879
Improvements other than buildings	497,048	44,040	-	541,088
Furniture and equipment	<u>1,163,037</u>	<u>88,079</u>	<u>-</u>	<u>1,251,116</u>
Total accumulated depreciation	<u>\$ 4,332,687</u>	<u>\$ 440,396</u>	<u>\$ -</u>	<u>\$ 4,773,083</u>
Total capital assets being depreciated, net	<u>\$ 12,109,626</u>	<u>\$ (139,218)</u>	<u>\$ -</u>	<u>\$ 11,970,408</u>
Governmental activities capital assets, net	<u>\$ 12,976,910</u>	<u>\$ (139,218)</u>	<u>\$ -</u>	<u>\$ 12,837,692</u>
Business type activities:				
Furniture and equipment	\$ 83,522	\$ 4,330	\$ -	\$ 87,852
Less accumulated depreciation	<u>51,514</u>	<u>5,120</u>	<u>-</u>	<u>56,634</u>
Business type activities capital assets, net	<u>\$ 32,008</u>	<u>\$ (790)</u>	<u>\$ -</u>	<u>\$ 31,218</u>

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 3 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 245,505
Special	33,776
Other	<u>42,022</u>
	<u>\$ 321,303</u>

Support services:

Student	\$ 15,511
Instructional staff	9,730
Administration	42,484
Operation and maintenance of plant	26,939
Transportation	<u>24,429</u>
	<u>\$ 119,093</u>
Total depreciation expense - governmental activities	<u>\$ 440,396</u>

Business type activities:

Food service operations	<u>\$ 5,120</u>
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NOTE 4 - INTERFUND TRANSFERS:

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 412,099</u>

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

NOTE 5 - DUE FROM AND DUE TO OTHER FUNDS:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	Debt Service	<u>\$ 2,701</u>

The Capital Projects Fund financed short-term cash shortages in the Debt Service fund.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 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
General obligation capital loan note	\$ 395,000	\$ -	\$ 95,000	\$ 300,000	\$ 95,000
General obligation bond payable	5,480,000	-	220,000	5,260,000	230,000
Revenue bonds	3,665,000	-	135,000	3,530,000	140,000
Note payable	52,389	-	12,264	40,125	12,803
Early retirement	125,711	31,068	40,798	115,981	20,515
Net OPEB liability	<u>180,900</u>	<u>47,500</u>	<u>-</u>	<u>228,400</u>	<u>-</u>
Total	<u>\$ 9,899,000</u>	<u>\$ 78,568</u>	<u>\$ 503,062</u>	<u>\$ 9,474,506</u>	<u>\$ 498,318</u>

General Obligation Capital Loan Note - Details of the District's general obligation capital loan note indebtedness as of June 30, 2013 are as follows:

Year Ending	<u>Capital Loan Note Dated June 29, 2009</u>			
<u>June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	3.15%	95,000	10,430	105,430
2015	3.50%	100,000	7,438	107,438
2016	3.75%	<u>105,000</u>	<u>3,938</u>	<u>108,938</u>
Total		<u>\$ 300,000</u>	<u>\$ 21,806</u>	<u>\$ 321,806</u>

General Obligation Bond Payable - Details of the District's general obligation bond payable indebtedness as of June 30, 2013 are as follows:

Year Ending	<u>General Obligation Bond Dated May 1, 2010</u>			
<u>June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	3.75%	\$ 230,000	\$ 217,475	\$ 447,475
2015	3.75%	235,000	208,850	443,850
2016	3.75%	245,000	200,038	445,038
2017	3.75%	255,000	190,850	445,850
2018	4.00%	265,000	181,288	446,288
Thereafter	4.0-4.60%	<u>4,030,000</u>	<u>1,212,327</u>	<u>5,242,327</u>
Total		<u>\$ 5,260,000</u>	<u>\$ 2,210,828</u>	<u>\$ 7,470,828</u>

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

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

Year Ending	Bond Issue of July 1, 2004			Bond Issue of December 1, 2009			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
June 30,									
2014	4.15%	\$ 140,000	\$ 9,067		\$ -	\$ 149,065	\$ 140,000	\$ 158,132	\$ 298,132
2015	4.25%	145,000	3,081			149,065	145,000	152,146	297,146
2016		-	-	4.25%	150,000	145,878	150,000	145,878	295,878
2017		-	-	4.25%	175,000	138,971	175,000	138,971	313,971
2018		-	-	4.25%	175,000	131,534	175,000	131,534	306,534
Thereafter		-	-	4.3-5.00%	<u>2,745,000</u>	<u>854,567</u>	<u>2,745,000</u>	<u>854,567</u>	<u>3,599,567</u>
Total		<u>\$ 285,000</u>	<u>\$ 12,148</u>		<u>\$3,245,000</u>	<u>\$1,569,080</u>	<u>\$3,530,000</u>	<u>\$1,581,228</u>	<u>\$5,111,228</u>

The District has pledged future statewide sales, services and use tax revenues to repay the bond issues of July 2004 and December 2009. The bonds were issued for the purpose of financing school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2015 and 2029, respectively. 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 80 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$5,111,228. For the current year, \$298,771 in principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$418,086.

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

- a) \$121,000 of the proceeds from the issuance of the 2004 revenue bonds and \$320,440 from the 2009 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.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

- 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 of the revenue bond provisions during the year ended June 30, 2013.

Note Payable - During the year ended June 30, 2012, the District issued a note payable to finance the purchase of equipment. The note bears interest at 4.3 percent per annum and is payable from the Special Revenue, Physical, Plant and Equipment Levy Fund. Details of the District's indebtedness under the agreement at June 30, 2013 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Note Dated July 15, 2011</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 12,803	\$ 1,766	\$ 14,569
2015	13,367	1,202	14,569
2016	<u>13,955</u>	<u>614</u>	<u>14,569</u>
Total	<u>\$ 40,125</u>	<u>\$ 3,582</u>	<u>\$ 43,707</u>

Early Retirement - The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least 55 and must have completed 10 years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee will be based on a percentage of the employee's base salary determined by the employee's consecutive years of service. Early retirement benefits currently offered to new retirees consist of a lump sum cash payment; however, health insurance benefits are being provided to one retiree until they reach age 65.

At June 30, 2013, the District had an obligation to one participant with a total liability of \$115,981 extending through the year ending June 30, 2020. Early retirement benefits paid during the year ended June 30, 2013 totaled \$49,906. The total liability for early retirement is recorded in the government-wide financial statements and is calculated assuming an annual 3 percent increase in monthly premiums with a 5 percent discount rate.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 7 - PENSION AND RETIREMENT BENEFITS:

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

Plan members are required to contribute 5.78 percent of their annual covered salary and the District is required to contribute 8.67 percent of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$348,032, \$307,078, and \$256,604, respectively, equal to the required contributions for each year.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 90 active and 4 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 rate subsidy and an OPEB liability.

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

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

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

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

Annual required contribution	\$ 91,000
Interest on net OPEB obligation	8,000
Adjustment to annual required contribution	<u>(7,500)</u>
Annual OPEB cost	\$ 91,500
Contributions made	<u>(44,000)</u>
Increase in net OPEB obligation	\$ 47,500
Net OPEB obligation beginning on year	<u>180,900</u>
Net OPEB obligation end of year	<u><u>\$ 228,400</u></u>

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

For the year ended June 30, 2013, the District contributed \$44,000 to the medical plan. Plan members eligible for benefits contributed \$27,411, or 6.5 percent 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:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2010	\$ 103,000	37.9%	\$ 64,000
2011	103,400	44.5%	121,400
2012	103,500	42.5%	180,900
2013	91,500	48.1%	228,400

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$549,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$549,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,800,000 and the ratio of the UAAL's covered payroll was 14.4 percent. As of June 30, 2013, there were no trust fund assets.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, 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 designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Mortality rates are from the RP-2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from Table 1 in GASB 45 paragraph 35(b).

Projected claim costs of the medical plan are \$673 per month for retirees. The salary increase rate was assumed to be 3.5 percent per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 9 - 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.

NOTE 10 - AREA EDUCATION AGENCY:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$203,100 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 11 - LEASE COMMITMENT:

The District is using operating leases to rent copier equipment. The minimum lease payments required are as follows:

Year Ended	Lease
<u>June 30,</u>	<u>Payment</u>
2014	<u>\$ 5,725</u>

REQUIRED SUPPLEMENTARY INFORMATION

HINTON COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES

AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2013

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total Actual</u>
Revenues:			
Local sources	\$ 5,355,254	\$ 399,881	\$ 5,755,135
State sources	2,718,625	2,603	2,721,228
Federal sources	<u>122,672</u>	<u>103,131</u>	<u>225,803</u>
Total revenues	<u>\$ 8,196,551</u>	<u>\$ 505,615</u>	<u>\$ 8,702,166</u>
Expenditures/Expenses:			
Instruction	\$ 4,937,400	\$ -	\$ 4,937,400
Support services	1,830,076	-	1,830,076
Non-instructional programs	-	544,693	544,693
Other expenditures	<u>1,405,654</u>	<u>-</u>	<u>1,405,654</u>
Total expenditures/expenses	<u>\$ 8,173,130</u>	<u>\$ 544,693</u>	<u>\$ 8,717,823</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ 23,421	\$ (39,078)	\$ (15,657)
Balances beginning of year	<u>2,851,568</u>	<u>133,862</u>	<u>2,985,430</u>
Balances end of year	<u>\$ 2,874,989</u>	<u>\$ 94,784</u>	<u>\$ 2,969,773</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Actual</u>
		<u>Variance</u>
\$ 5,519,030	\$ 5,519,030	\$ 236,105
2,764,267	2,764,267	(43,039)
<u>113,200</u>	<u>113,200</u>	<u>112,603</u>
<u>\$ 8,396,497</u>	<u>\$ 8,396,497</u>	<u>\$ 305,669</u>
\$ 4,918,587	\$ 5,147,687	\$ 210,287
2,067,549	2,067,549	237,473
375,837	375,837	(168,856)
<u>718,787</u>	<u>971,381</u>	<u>(434,273)</u>
<u>\$ 8,080,760</u>	<u>\$ 8,562,454</u>	<u>\$ (155,369)</u>
<u>\$ 315,737</u>	<u>\$ (165,957)</u>	<u>\$ 150,300</u>

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2013

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides 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 \$481,694.

During the year ended June 30, 2013, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

HINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN (IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

<u>Year Ended</u> <u>June 30,</u>	<u>Actuarial</u> <u>Valuation Date</u>	<u>Actuarial</u> <u>Value of Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL (UAAL)</u> <u>(b-a)</u>	<u>Funded Ratio</u> <u>(a/b)</u>
2010	July 1, 2009	\$ -	\$ 561	\$ 561	0.0%
2011	July 1, 2009	\$ -	\$ 561	\$ 561	0.0%
2012	July 1, 2009	\$ -	\$ 561	\$ 561	0.0%
2013	July 1, 2012	\$ -	\$ 549	\$ 549	0.0%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

HINTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>Special Revenue</u>		
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Total</u>
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 103,869	\$ 161,461	\$ 265,330
Receivables:			
Property tax:			
Delinquent	1,261	-	1,261
Succeeding year	250,000	-	250,000
Inventories	-	1,007	1,007
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 355,130</u>	<u>\$ 162,468</u>	<u>\$ 517,598</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 500	\$ 8,540	\$ 9,040
Deferred revenue:			
Succeeding year property tax	250,000	-	250,000
Total liabilities	<u>\$ 250,500</u>	<u>\$ 8,540</u>	<u>\$ 259,040</u>
Fund balances:			
Restricted for:			
Management levy purposes	\$ 104,630	\$ -	\$ 104,630
Student activities	-	153,928	153,928
Total fund balances	<u>\$ 104,630</u>	<u>\$ 153,928</u>	<u>\$ 258,558</u>
Total liabilities and fund balances	<u>\$ 355,130</u>	<u>\$ 162,468</u>	<u>\$ 517,598</u>

HINTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	<u>Special Revenue</u>		
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 189,842	\$ -	\$ 189,842
Other	5,691	374,822	380,513
Total revenues	<u>\$ 195,533</u>	<u>\$ 374,822</u>	<u>\$ 570,355</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 62,157	\$ -	\$ 62,157
Other instruction	-	370,518	370,518
	<u>\$ 62,157</u>	<u>\$ 370,518</u>	<u>\$ 432,675</u>
Support services:			
Instructional staff services	\$ 111,260	\$ -	\$ 111,260
	<u>\$ 111,260</u>	<u>\$ -</u>	<u>\$ 111,260</u>
Total expenditures	<u>\$ 173,417</u>	<u>\$ 370,518</u>	<u>\$ 543,935</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 22,116	\$ 4,304	\$ 26,420
Fund balances beginning of year	<u>82,514</u>	<u>149,624</u>	<u>232,138</u>
Fund balances end of year	<u>\$ 104,630</u>	<u>\$ 153,928</u>	<u>\$ 258,558</u>

HINTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECT ACCOUNTS

JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 648,298	\$ 208,041	\$ 856,339
Receivables:			
Property tax:			
Delinquent	-	1,208	1,208
Succeeding year	-	196,627	196,627
Due from other governments	64,968	-	64,968
Due from other funds	<u>2,701</u>	<u>-</u>	<u>2,701</u>
Total assets	<u>\$ 715,967</u>	<u>\$ 405,876</u>	<u>\$ 1,121,843</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 98,800	\$ 7,319	\$ 106,119
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>196,627</u>	<u>196,627</u>
Total liabilities	<u>\$ 98,800</u>	<u>\$ 203,946</u>	<u>\$ 302,746</u>
Fund balances:			
Restricted for:			
Debt service	\$ 121,000	\$ -	\$ 121,000
School infrastructure	496,167	-	496,167
Physical plant and equipment	<u>-</u>	<u>201,930</u>	<u>201,930</u>
Total fund balances	<u>\$ 617,167</u>	<u>\$ 201,930</u>	<u>\$ 819,097</u>
Total liabilities and fund balances	<u>\$ 715,967</u>	<u>\$ 405,876</u>	<u>\$ 1,121,843</u>

HINTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - CAPITAL PROJECT ACCOUNTS

YEAR ENDED JUNE 30, 2013

	<u>Capital Projects</u>		
	<u>Statewide</u>	<u>Physical Plant</u>	
	<u>Sales, Services</u>	<u>and Equipment</u>	
	<u>and Use Tax</u>	<u>Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 418,086	\$ 187,013	\$ 605,099
Other	<u>3,526</u>	<u>1,841</u>	<u>5,367</u>
Total revenues	<u>\$ 421,612</u>	<u>\$ 188,854</u>	<u>\$ 610,466</u>
Expenditures:			
Other expenditures:			
Facilities acquisition	\$ 301,186	\$ 30,732	\$ 331,918
Long-term debt:			
Principal	-	12,264	12,264
Interest and fiscal charges	<u>-</u>	<u>2,305</u>	<u>2,305</u>
Total expenditures	<u>\$ 301,186</u>	<u>\$ 45,301</u>	<u>\$ 346,487</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 120,426</u>	<u>\$ 143,553</u>	<u>\$ 263,979</u>
Other financing uses:			
Operating transfers out	\$ (304,009)	\$ (108,090)	\$ (412,099)
Total other financing uses	<u>\$ (304,009)</u>	<u>\$ (108,090)</u>	<u>\$ (412,099)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ (183,583)	\$ 35,463	\$ (148,120)
Fund balances beginning of year	<u>800,750</u>	<u>166,467</u>	<u>967,217</u>
Fund balances end of year	<u>\$ 617,167</u>	<u>\$ 201,930</u>	<u>\$ 819,097</u>

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2013

ACCOUNT:	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intrafund Transfers	Balance End of Year
Interest income	\$ 18,414	\$ 556	\$ 3	\$ (10,405)	\$ 8,562
Middle school	1,255	1,099	2,622	268	-
Hinton spirit store	374	-	-	(374)	-
Athletics	12,508	157,839	164,340	8,584	14,591
Birdie fest project	2,283	3,753	2,162	-	3,874
Physics club	127	-	-	-	127
Superintendents office	3,055	10,784	10,473	-	3,366
Preschool	56	-	-	-	56
Spanish club	2,359	-	-	-	2,359
Soundsational	16,389	36,521	29,200	(702)	23,008
School nurse	402	-	29	166	539
Debate	307	-	-	-	307
National Honor Society	345	1,049	1,313	274	355
Cheerleaders	401	10,227	11,202	574	-
Drill team	1,774	3,909	7,902	2,219	-
Special education	433	-	171	-	262
Math club	190	505	290	389	794
Tag club	534	-	219	167	482
FCCLA	2,608	4,917	4,219	-	3,306
Instrumental music	3,357	1,570	1,992	-	2,935
Vocal music	441	1,196	1,339	-	298
Music trip	5,000	-	-	-	5,000
Music fund raiser	824	13,015	7,818	-	6,021
Musical	823	-	-	-	823
Elementary music project	46	277	303	-	20
2016 class fund	2,118	-	-	(1,918)	200
2015 class fund	533	-	-	74	607
Yearbook	5,639	16,996	15,803	372	7,204
High school student council	1,578	3,941	3,667	(432)	1,420
Middle school student council	1,004	828	1,285	-	547
Elementary student council	695	1,408	1,585	405	923
Elementary miscellaneous	190	890	921	226	385
Sophomore class fund	856	16,532	12,450	-	4,938
Wings	1,757	-	265	-	1,492
Sixth grade trip	12	668	1,687	1,025	18
Concession stand	16,156	33,387	21,924	(7,453)	20,166
Soundwaves	1,426	3,721	4,535	-	612
Blackhawk shop	1,132	5,469	2,660	656	4,597
School cents fund	1,300	501	3,053	3,784	2,532
Music trip student	4,944	-	309	-	4,635
2017 class fund	2,417	-	742	(1,675)	-
Wrestling cheerleaders	-	1,978	2,388	443	33
Fourth grade project	434	-	43	-	391
Second grade activity	406	-	149	-	257
First grade reading/math	1,193	-	480	609	1,322
Book fair	4,362	6,306	8,144	-	2,524
Play	742	832	295	-	1,279
Global days of service	1,216	1,094	-	-	2,310
Kindergarten project	168	-	48	43	163
Hinton School projects	20,486	15,079	21,686	213	14,092
Transitional kindergarten	535	-	42	-	493
English co-curricular	488	-	-	-	488
Fifth grade project	231	-	80	-	151
Reading recovery	873	-	863	431	441
D.E.C.A.	565	10,750	11,150	903	1,068
Show choir outfits	52	7,225	7,979	702	-
Playground	167	-	-	-	167
Elementary special education	1,644	-	688	432	1,388
Total	\$ 149,624	\$ 374,822	\$ 370,518	\$ -	\$ 153,928

See accompanying independent auditor's report.

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -

AGENCY FUND

YEAR ENDED JUNE 30, 2013

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
ASSETS:				
Cash, cash equivalents and pooled investments	\$ 4,588	\$ 11,846	\$ 16,062	\$ 372
Total assets	<u>\$ 4,588</u>	<u>\$ 11,846</u>	<u>\$ 16,062</u>	<u>\$ 372</u>
LIABILITIES:				
Due to others	\$ 4,588	\$ 11,846	\$ 16,062	\$ 372
Total liabilities	<u>\$ 4,588</u>	<u>\$ 11,846</u>	<u>\$ 16,062</u>	<u>\$ 372</u>

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -

ALL GOVERNMENTAL FUNDS

FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 3,466,154	\$ 3,414,726	\$ 3,292,554	\$ 2,459,916	\$ 2,448,614	\$ 2,336,336	\$ 2,367,963	\$ 2,328,933	\$ 2,215,234	\$ 2,003,123
Tuition	1,435,910	1,247,281	1,232,408	1,081,888	974,514	856,571	698,814	530,560	506,980	399,912
Other	453,190	492,238	496,690	436,483	429,284	509,357	433,537	398,267	276,356	248,127
State sources	2,718,625	2,679,886	2,589,346	2,256,928	2,778,873	2,648,317	2,293,655	2,430,832	2,335,187	2,098,177
Federal sources	122,672	107,975	305,078	433,983	153,711	123,463	91,404	100,625	46,902	49,368
Other financing sources:										
Proceeds from debt issuance, net	-	66,958	-	9,145,000	650,000	-	-	-	1,186,236	-
Insurance proceeds	-	-	60,857	175,104	-	-	-	-	-	-
Sale of capital assets	-	7,601	-	-	-	-	-	950	-	-
Total	\$ 8,196,551	\$ 8,016,665	\$ 7,976,933	\$ 15,989,302	\$ 7,434,996	\$ 6,474,044	\$ 5,885,373	\$ 5,790,167	\$ 6,566,895	\$ 4,798,707
Expenditures:										
Instruction:										
Regular instruction	\$ 3,772,630	\$ 3,503,825	\$ 3,328,228	\$ 3,361,698	\$ 3,400,958	\$ 2,921,517	\$ 2,655,474	\$ 2,312,074	\$ 2,128,669	\$ 2,119,644
Special instruction	519,030	562,351	563,673	495,854	491,428	513,038	338,170	317,089	361,222	356,586
Other instruction	645,740	621,979	609,808	610,151	599,331	657,471	505,423	665,312	588,864	532,887
Support services:										
Student services	238,347	245,923	241,052	230,526	231,566	235,818	247,095	242,045	236,670	167,082
Instructional staff services	149,518	138,914	124,390	117,002	117,902	110,906	102,357	77,879	120,358	52,312
Administration services	652,845	583,520	642,442	731,971	719,838	644,820	577,894	537,979	510,388	540,771
Operation and maintenance of plant services	413,966	385,800	328,468	362,281	356,499	496,992	444,525	375,315	485,129	338,435
Transportation services	375,400	340,863	320,749	335,402	298,073	313,981	240,378	215,100	208,621	206,981
Non-instructional programs	-	-	-	-	-	-	-	-	849	3,612
Other expenditures:										
Facilities acquisition	331,918	1,589,336	6,454,934	1,776,635	302,535	252,206	386,705	638,992	444,990	7,992
Long-term debt: Principal	462,264	449,569	415,000	200,000	120,000	110,000	110,000	255,000	215,000	205,000
Interest and fiscal charges	408,372	421,941	433,133	205,443	33,080	36,590	40,290	49,758	39,828	28,095
AEA flow through	203,100	204,135	225,531	221,262	203,703	190,931	180,565	163,821	170,233	157,321
Total	\$ 8,173,130	\$ 9,048,156	\$ 13,687,408	\$ 8,648,225	\$ 6,874,913	\$ 6,484,270	\$ 5,828,876	\$ 5,850,364	\$ 5,510,821	\$ 4,716,718



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education of
Hinton Community School District

We have audited 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hinton Community School District (the District) as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 which are described in Part II of the accompanying Schedule of Findings.

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

Hinton Community School District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The 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 result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

January 16, 2014
Sioux City, Iowa

King, Reinsch, Prosser & Co., L.L.P.

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES:

I-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or fraud. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for many accounting and financial duties.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. Nevertheless, the District should review and segregate duties to the extent possible especially with respect to payroll activities. The Board of Education and Superintendent must remain actively involved in the financial affairs of the District to provide oversight and review functions such as by reviewing payroll registers for accuracy by comparing to approved pay rates/contracts for selected employees.

Response - The District understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District will review its procedures and implement changes where possible.

Conclusion - Response accepted.

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2013

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting

II-A-13 Certified Budget - Expenditures for the year ended June 30, 2013 exceeded the certified budget amounts in the non-instructional programs and other expenditures functions.

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

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

Conclusion - Response accepted.

II-B-13 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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

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

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

II-F-13 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

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

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

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

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2013

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting (Continued)

- II-J-13 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

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

- II-L-13 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:

Beginning balance		\$	800,750
Revenues/transfers in:			
Sales tax revenues	\$	418,086	
Other local revenues		<u>3,526</u>	<u>421,612</u>
Expenditures/transfers out:			
Transfers to debt service fund	\$	304,009	
Buildings		39,609	
Improvements other than buildings		108,094	
Furniture and equipment		118,245	
Other		<u>35,238</u>	<u>605,195</u>
Ending balance		\$	<u><u>617,167</u></u>

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