

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

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Independent Auditor's Report

To the Board of Education of
Northeast Hamilton 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 Northeast Hamilton Community School District, Blairsburg, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above presents 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 Northeast Hamilton Community School 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 U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northeast Hamilton Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 23, 2014 on our consideration of Northeast Hamilton Community School 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Northeast Hamilton Community School District's internal control over financial reporting and compliance.

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

May 23, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,438,740 in fiscal 2012 to \$2,800,890 in fiscal 2013. General Fund expenditures decreased from \$2,813,516 in fiscal 2012 to \$2,413,815 in fiscal 2013. The District's General Fund balance increased from \$1,100,736 in fiscal 2012 to \$1,488,973 in fiscal 2013, a 35% increase.
- The fiscal year 2013 decrease in General Fund revenues was due primarily to a loss of 35 students for budgeted enrollment. The decrease in expenditures was attributed to the reduction in staff due to the partial day sharing agreement with Webster City Community School District and efforts by administration and staff to cut costs.

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 Northeast Hamilton Community School District as a whole and present an overall view of the District's finances.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

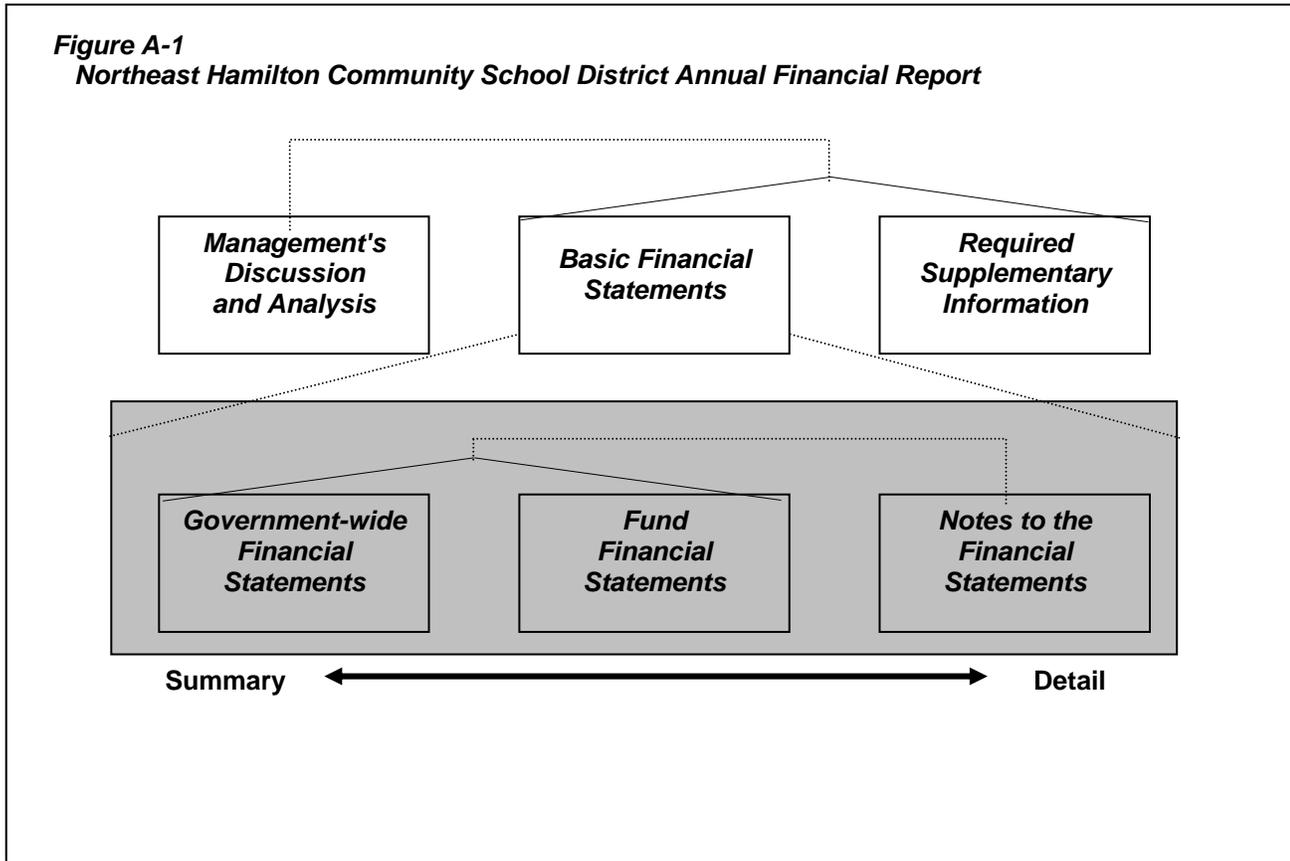


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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 would account for outside donations for scholarships for individual students in this fund; there are none currently in the District. The Special Needs Fund is classified as a private purpose trust fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent and certain revenue collected for District employee purchases of pop and related expenditures. The Spirit Club is accounted for in an agency fund.

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

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

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

Government-Wide Financial Analysis

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

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2012-2013
	2013	2012	2013	2012	2013	2012	
Current and other assets	\$ 4,800,023	4,088,691	(3,005)	25,354	4,797,018	4,114,045	17%
Capital assets	4,065,587	4,239,243	21,821	1,255	4,087,408	4,240,498	-4%
Total assets	8,865,610	8,327,934	18,816	26,609	8,884,426	8,354,543	6%
Long-term liabilities	2,244,342	2,317,456	3,761	2,672	2,248,103	2,320,128	-3%
Other Liabilities	2,410,886	2,522,815	10,658	10,209	2,421,544	2,533,024	-4%
Total liabilities	4,655,228	4,840,271	14,419	12,881	4,669,647	4,853,152	-4%
Net position:							
Net investment in capital assets	1,895,587	1,828,691	21,821	25,354	1,917,408	1,854,045	3%
Restricted	890,052	629,685	-	-	890,052	629,685	41%
Unrestricted	1,424,743	1,029,287	(17,424)	(11,626)	1,407,319	1,017,661	38%
TOTAL NET POSITION	\$4,210,382	3,487,663	4,397	13,728	4,214,779	3,501,391	20%

The District's combined net position increased by \$713,388 or 20%, from the prior year. A large portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt.

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 \$260,367 or 41% from the prior year. The increase was primarily in the Debt Service fund. The Debt Service Fund is where money is held for long term debt payments.

The unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$389,658, or 38%. The increase in unrestricted net assets was a result of the District levying for cash reserve to meet its financial obligations during the year.

Current and other assets increased \$682,673 or 17% in fiscal 2013 due in large part to the increase in cash collected through tax levies.

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

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues							
Program Revenues							
Charges for services	325,134	415,974	55,357	65,321	380,491	481,295	-21%
Operating Grants & Contributions	380,982	459,130	54,848	59,724	435,830	518,854	-16%
Capital Grants & Contributions	-	24,390	-	-	-	24,390	-100%
General Revenues							
Property taxes	2,061,939	2,103,369	-	-	2,061,939	2,103,369	-2%
Income Surtax	260,721	155,713	-	-	260,721	155,713	67%
Statewide sales services & use tax	193,063	196,170	-	-	193,063	196,170	-2%
Unrestricted State Grants	363,174	568,635	-	-	363,174	568,635	-36%
Unrestricted Investment Earnings	9,048	8,732	5	13	9,053	8,745	4%
Other Revenue	1,162	6,736	-	-	1,162	6,736	-83%
Total Revenues	3,595,223	3,938,849	110,210	125,058	3,705,433	4,063,907	-9%
Expenses							
Instruction	1,649,377	1,963,819	-	-	1,649,377	1,963,819	-16%
Support Services	875,058	1,026,129	-	-	875,058	1,026,129	-15%
Non-Instructional Programs	1,180	822	119,541	126,198	120,721	127,020	-5%
Other Expenses	346,889	361,739	-	-	346,889	361,739	-4%
Total Expenses	2,872,504	3,352,509	119,541	126,198	2,992,045	3,478,707	-14%
Change in Net Position	722,719	586,340	(9,331)	(1,140)	713,388	585,200	22%
Net position beginning of year	3,487,663	2,901,323	13,728	14,868	3,501,391	2,916,191	20%
Net position end of year	4,210,382	3,487,663	4,397	13,728	4,214,779	3,501,391	20%

Property tax and unrestricted state grants accounted for 65% of the total revenue in FY13. The District's expenses primarily relate to instruction and support services, which accounted for 84% of the total

expenses in FY13. Total expenses decreased by 14%, as total revenues decreased by 9%. Year-end net assets for FY13, when compared to FY12, increased by \$713,388 which calculates to a 20% change.

Governmental Activities

Referring to Figure A-4, revenues for the District’s FY13 governmental activities, when compared to FY12, decreased \$343,626, or 9%. Total governmental expenditures decreased from FY12 to FY13 by 14%, or \$480,005.

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

<i>Figure A-5</i>				
Net Cost of Governmental Activities				
	Total Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2013	Net Cost of Services 2012
Instruction	1,649,377	1,963,819	1,088,536	1,229,670
Support Services	875,058	1,026,129	829,538	986,606
Non-instructional Programs	1,180	822	1,180	822
Other Expenses	346,889	361,739	247,134	235,917
TOTAL	2,872,504	3,352,509	2,166,388	2,453,015

Figure A-5 presents the cost of the District’s major governmental activities: instruction, support services, non-instruction programs and other expenses. The table shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District’s taxpayers by each of these functions.

- The cost of all governmental activities this year was \$2,872,504, compared to \$3,352,509 in FY12.
- Some of the cost was financed by the users of the District’s programs (\$325,134).
- The federal and state governments and private contributors subsidized certain programs with grants and contributions (\$380,982).
- This portion of governmental activities was financed with \$2,061,939 in property taxes, and \$363,174 in unrestricted state aid (based in large part on the statewide education aid formula), investment earnings and miscellaneous revenues.

Business Type Activities

Revenues for business type activities were \$110,210 for FY13, compared to \$125,058 for FY12. Expenses were \$119,541, compared to \$126,198 for FY12. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental activities funds reported a combined fund balance of \$2,233,777, 43% above last year's ending fund balance of \$1,562,895. The primary reason for the increase in combined fund balances in fiscal 2013 is due to increased tax revenue from the cash reserve levy.

Governmental Fund Highlights.

- The District's General Fund financial position is the product of many factors. The loss of students accounts for the decrease in revenues, however, the district reduced expenditures by cutting staff and partial day sharing with Webster City Community School District to help offset this decrease.
- The General Fund cash balance increased from \$1,100,736 to \$1,488,973 due to the taxes levied for cash flow purposes.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.
 - The Physical Plant and Equipment Levy account balance increased from \$274,894 at June 30, 2012 to \$365,654 at June 30, 2013.
 - The Statewide Sales Tax account balance increased from \$52,305 at June 30, 2012 to \$119,491 at June 30, 2013.
- The Nonmajor Governmental (Management and Activity) Funds balance increased (\$38,811) in FY13

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$14,728 on June 30, 2012, to \$4,397 by June 30, 2013, representing a decrease of 68%. The decrease is due to the decrease in revenue generated by fewer students enrolled and participating in the school nutrition program and increased costs due to changes in required nutritional guidelines.

BUDGETARY HIGHLIGHTS

The District's receipts were \$242,424 less than budgeted receipts, a variance of 6%. The District received less in Local, State and Federal sources than originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2013, the District had invested \$4,087,408 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment and transportation equipment. (See *Figure A-6*). This represents a net decrease of \$26,637 or 1% from FY12. More detailed information about capital assets can be found in Note 5 to the financial statements. Depreciation expense for the year was \$181,474.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business--type Activities		Total School District		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2012-13
Land	42,750	42,750	-	-	42,750	42,750	0%
Buildings	3,760,719	3,756,107	-	-	3,760,719	3,756,107	1%
Improvements other than buildings	11,041	7,218	-	-	11,041	7,218	53%
Equipment & Furniture	251,077	282,616	21,821	25,354	272,898	307,970	-11%
TOTAL	4,065,587	4,088,691	21,821	25,354	4,087,408	4,114,045	-1%

LONG-TERM DEBT

At June 30, 2012 the District had \$2,317,456 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 3% from last year. (See *Figure A-7*) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2013	2012	2012-2013
Governmental activities:			
General obligation bonds	2,170,000	2,260,000	-4%
Net OPEB liability	74,342	57,456	29%
TOTAL	2,244,342	2,317,456	-3%
Business type activities:			
Net OPEB liability	3,761	2,672	41%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- District Enrollment decreased in fiscal 2012-2013 by 14.4 students. Under Iowa's school funding formula, District funding is highly dependent upon enrollment. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- The District will continue the partial-day sharing agreement with Webster City CSD through fiscal year 2015. Beginning in fiscal 2016, the district is looking to whole grade share grades 7-12 with Webster City CSD.
- Open enrolled students are projected to remain at a negative ratio for the foreseeable future. This remains a concern for the district.

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 Cathi Hildebrand, Business Manager, Northeast Hamilton Community School District, 606 Illinois Street, Blairsburg, Iowa 50034.

BASIC FINANCIAL STATEMENTS

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	2,298,569	5,877	2,304,446
Receivables:			
Property tax:			
Delinquent	18,731	-	18,731
Succeeding year	2,154,119	-	2,154,119
Accounts	1,521	3,883	5,404
Due from other governments	311,737	-	311,737
Internal balances	15,346	(15,346)	-
Inventories	-	2,581	2,581
Capital assets, net of accumulated depreciation	4,065,587	21,821	4,087,408
Total assets	8,865,610	18,816	8,884,426
Liabilities			
Accounts payable	11,958	-	11,958
Salaries and benefits payable	195,527	9,008	204,535
Accrued interest payable	34,372	-	34,372
Deferred revenue:			
Succeeding year property tax	2,154,119	-	2,154,119
Other	14,910	1,650	16,560
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	90,000	-	90,000
Portion due after one year:			
General obligation bonds payable	2,080,000	-	2,080,000
Net OPEB liability	74,342	3,761	78,103
Total liabilities	4,655,228	14,419	4,669,647
Net position			
Net investment in capital assets	1,895,587	21,821	1,917,408
Restricted for:			
Categorical funding	103,727	-	103,727
Management levy	135,206	-	135,206
Physical plant and equipment levy	441,547	-	441,547
Student activities	38,565	-	38,565
School infrastructure	119,491	-	119,491
Debt service	51,516	-	51,516
Unrestricted	1,424,743	(17,424)	1,407,319
Total net position	4,210,382	4,397	4,214,779

See notes to financial statements.

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,110,545	211,760	217,125	-
Special	230,739	26,305	11,996	-
Other	308,093	41,549	52,106	-
	<u>1,649,377</u>	<u>279,614</u>	<u>281,227</u>	<u>-</u>
Support services:				
Student	61,652	-	-	-
Instructional staff	91,262	-	-	-
Administration	278,555	-	-	-
Operation and maintenance of plant	250,959	13,500	-	-
Transportation	192,630	32,020	-	-
	<u>875,058</u>	<u>45,520</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>1,180</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	-	-	80	-
Long-term debt interest	123,430	-	-	-
AEA flowthrough	99,675	-	99,675	-
Depreciation (unallocated)*	123,784	-	-	-
	<u>346,889</u>	<u>-</u>	<u>99,755</u>	<u>-</u>
Total governmental activities	<u>2,872,504</u>	<u>325,134</u>	<u>380,982</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	119,541	55,357	54,848	-
Total	<u>2,992,045</u>	<u>380,491</u>	<u>435,830</u>	<u>-</u>

General Revenues:

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

Change in net position

Net position beginning of year	
Net position end of year	

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

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(681,660)	-	(681,660)
(192,438)	-	(192,438)
(214,438)	-	(214,438)
<u>(1,088,536)</u>	<u>-</u>	<u>(1,088,536)</u>
(61,652)	-	(61,652)
(91,262)	-	(91,262)
(278,555)	-	(278,555)
(237,459)	-	(237,459)
(160,610)	-	(160,610)
<u>(829,538)</u>	<u>-</u>	<u>(829,538)</u>
<u>(1,180)</u>	<u>-</u>	<u>(1,180)</u>
80	-	80
(123,430)	-	(123,430)
-	-	-
(123,784)	-	(123,784)
<u>(247,134)</u>	<u>-</u>	<u>(247,134)</u>
(2,166,388)	-	(2,166,388)
-	(9,336)	(9,336)
<u>(2,166,388)</u>	<u>(9,336)</u>	<u>(2,175,724)</u>
1,738,231	-	1,738,231
197,607	-	197,607
126,101	-	126,101
260,721	-	260,721
193,063	-	193,063
363,174	-	363,174
9,048	5	9,053
1,162	-	1,162
<u>2,889,107</u>	<u>5</u>	<u>2,889,112</u>
722,719	(9,331)	713,388
<u>3,487,663</u>	<u>13,728</u>	<u>3,501,391</u>
<u>4,210,382</u>	<u>4,397</u>	<u>4,214,779</u>

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2013

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Assets					
Cash, cash equivalents and pooled investments	1,622,526	418,223	84,199	173,621	2,298,569
Receivables:					
Property tax:					
Delinquent	15,080	1,078	1,689	884	18,731
Succeeding year	1,317,945	202,554	533,620	100,000	2,154,119
Accounts	706	-	-	815	1,521
Interfund receivable	15,346	-	-	-	15,346
Due from other governments	170,000	141,737	-	-	311,737
Total assets	3,141,603	763,592	619,508	275,320	4,800,023
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	10,409	-	-	1,549	11,958
Salaries and benefits payable	195,527	-	-	-	195,527
Deferred revenue:					
Succeeding year property tax	1,317,945	202,554	533,620	100,000	2,154,119
Income surtax	113,839	75,893	-	-	189,732
Other	14,910	-	-	-	14,910
Total liabilities	1,652,630	278,447	533,620	101,549	2,566,246
Fund balances:					
Restricted for:					
Categorical funding	103,727	-	-	-	103,727
Debt service	-	-	85,888	-	85,888
Management levy	-	-	-	135,206	135,206
Student activities	-	-	-	38,565	38,565
School infrastructure	-	119,491	-	-	119,491
Physical plant and equipment	-	365,654	-	-	365,654
Unassigned	1,385,246	-	-	-	1,385,246
Total fund balances	1,488,973	485,145	85,888	173,771	2,233,777
Total liabilities and fund balances	3,141,603	763,592	619,508	275,320	4,800,023

NORTHEAST HAMILTON 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 (Exhibit C)	2,233,777
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,065,587
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	189,732
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.	(34,372)
Long-term liabilities, including bonds payable and other postemployment benefits payable, are not due and payable in the current year and therefore, are not reported as liabilities in the governmental funds.	<u>(2,244,342)</u>
Net position of governmental activities (Exhibit A)	<u><u>4,210,382</u></u>

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,783,135	416,058	197,607	100,436	2,497,236
Tuition	133,920	-	-	-	133,920
Other	139,789	3,036	-	57,437	200,262
State sources	679,320	32	51	27	679,430
Federal sources	64,726	-	-	-	64,726
Total revenues	<u>2,800,890</u>	<u>419,126</u>	<u>197,658</u>	<u>157,900</u>	<u>3,575,574</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,102,847	25,529	-	16,665	1,145,041
Special	228,016	-	-	-	228,016
Other	241,922	-	-	65,626	307,548
	<u>1,572,785</u>	<u>25,529</u>	<u>-</u>	<u>82,291</u>	<u>1,680,605</u>
Support services:					
Student	47,126	-	-	-	47,126
Instructional staff	44,606	43,162	-	2,949	90,717
Administration	265,686	-	-	6,690	272,376
plant	226,811	-	-	19,379	246,190
Transportation	157,126	-	-	6,600	163,726
	<u>741,355</u>	<u>43,162</u>	<u>-</u>	<u>35,618</u>	<u>820,135</u>
Non-instructional programs	-	-	-	1,180	1,180
Other expenditures:					
Facilities acquisition	-	107,489	-	-	107,489
Long-term debt:					
Principal	-	-	90,000	-	90,000
Interest and fiscal charges	-	-	106,770	-	106,770
AEA flowthrough	99,675	-	-	-	99,675
	<u>99,675</u>	<u>107,489</u>	<u>196,770</u>	<u>-</u>	<u>403,934</u>
Total expenditures	<u>2,413,815</u>	<u>176,180</u>	<u>196,770</u>	<u>119,089</u>	<u>2,905,854</u>
Excess (deficiency) of revenues over (under) expenditures	<u>387,075</u>	<u>242,946</u>	<u>888</u>	<u>38,811</u>	<u>669,720</u>

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Sales of equipment & real estate	1,162	-	-	-	1,162
Operating transfers in	-	-	85,000	-	85,000
Operating transfers out	-	(85,000)	-	-	(85,000)
Total other financing sources (uses)	<u>1,162</u>	<u>(85,000)</u>	<u>85,000</u>	<u>-</u>	<u>1,162</u>
Change in fund balances	388,237	157,946	85,888	38,811	670,882
Fund balances beginning of year	<u>1,100,736</u>	<u>327,199</u>	<u>-</u>	<u>134,960</u>	<u>1,562,895</u>
Fund balances end of year	<u><u>1,488,973</u></u>	<u><u>485,145</u></u>	<u><u>85,888</u></u>	<u><u>173,771</u></u>	<u><u>2,233,777</u></u>

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		670,882
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	154,837	
Depreciation expense	<u>(177,941)</u>	(23,104)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		18,487
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		90,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		(16,660)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Other postemployment benefits		<u>(16,886)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>722,719</u></u>

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2013

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Current assets:	
Cash and cash equivalents	5,877
Accounts receivable	3,883
Inventories	2,581
Total current assets	<u>12,341</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>21,821</u>
Total assets	<u>34,162</u>
Liabilities	
Current liabilities:	
Interfund payables	15,346
Salaries and benefits payable	9,008
Deferred revenue	1,650
Total current liabilities	<u>26,004</u>
Noncurrent liabilities:	
Net OPEB liability	<u>3,761</u>
Total liabilities	<u>29,765</u>
Net position	
Investment in capital assets	21,821
Unrestricted	<u>(17,424)</u>
Total net position	<u><u>4,397</u></u>

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

Year ended June 30, 2013

	Nonmajor School Nutrition
	\$
Operating revenues:	
Local sources:	
Charges for service	55,357
Operating expenses:	
Non-instructional programs:	
Salaries	37,262
Benefits	17,702
Supplies	61,044
Depreciation	3,533
Total operating expenses	119,541
Operating income (loss)	(64,184)
Non-operating revenues:	
State sources	991
Federal sources	53,857
Interest income	5
Total non-operating revenues	54,853
Change in net position	(9,331)
Net position beginning of year	13,728
Net position end of year	4,397

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2013

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	53,626
Cash payments to employees for services	(53,600)
Cash payments to suppliers for goods or services	(55,173)
Net cash used by operating activities	<u>(55,147)</u>
Cash flows from non-capital financing activities:	
Loans from (repayment to) other funds	12,000
State grants received	991
Federal grants received	47,908
Net cash provided by non-capital financing activities	<u>60,899</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>5</u>
Net increase (decrease) in cash and cash equivalents	5,757
Cash and cash equivalents at beginning of year	<u>120</u>
Cash and cash equivalents at end of year	<u><u>5,877</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(64,184)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	5,949
Depreciation	3,533
Decrease (increase) in inventories	(78)
Decrease (increase) in accounts receivable	(1,905)
(Decrease) increase in salaries and benefits payable	275
(Decrease) increase in deferred revenue	174
(Decrease) increase in other postemployment benefits	1,089
Net cash used by operating activities	<u><u>(55,147)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$5,949 of federal commodities.

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

	Private Purpose Trust	Agency
	\$	\$
Assets		
Cash, cash equivalents and pooled investments	600	7,920
Liabilities		
Other payables	-	7,920
Net Position		
Reserved for student special needs	<u>600</u>	<u>-</u>

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2013

	Private Purpose Trust
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	355
Deductions:	
Support services:	
Supplies	<u>511</u>
Change in net position	(156)
Net position beginning of year	<u>756</u>
Net position end of year	<u><u>600</u></u>

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

1. Summary of Significant Accounting Policies

Northeast Hamilton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Blairsburg, Kamrar and Williams, Iowa and the predominately agricultural territory in a portion of Hamilton and Wright Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation/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 results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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.

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

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 with special personal needs.

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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when

they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted, net 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 Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

Cash, 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 and non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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	-
Buildings	2,000
Improvements other than buildings	2,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	25-50 years
Improvements other than buildings	20 years
Intangibles	3-20 years
Furniture and equipment	5-20 years

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current 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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current 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.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year expenditures did not exceed the amount budgeted.

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 insure there will be no loss of public funds.

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$118,340 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

3. Interfund Receivables and Payables

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

Receivable Fund	Payable Fund	Amount
		\$
General Fund	Nonmajor Enterprise, School Nutrition	15,346

4. Interfund Transfers

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

Transfer To	Transfer From	Amount
		\$
Nonmajor Debt Service Fund	Capital Projects Fund	85,000

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	42,750	-	-	42,750
Capital assets being depreciated:				
Buildings	4,932,628	312,521	180,313	5,064,836
Improvements other than buildings	104,739	4,662	-	109,401
Furniture and equipment	945,768	21,850	-	967,618
Total capital assets being deprec.	5,983,135	339,033	180,313	6,141,855
Less accumulated depreciation for:				
Buildings	1,176,521	122,944	(4,652)	1,304,117
Improvements other than buildings	97,521	839	-	98,360
Furniture and equipment	663,152	54,158	769	716,541
Total accumulated depreciation	1,937,194	177,941	(3,883)	2,119,018
Total capital assets being depreciated, net	4,045,941	161,092	184,196	4,022,837
Governmental activities capital assets, net	4,088,691	161,092	184,196	4,065,587

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	106,996	-	-	106,996
Less accumulated depreciation	<u>81,642</u>	<u>3,533</u>	-	<u>85,175</u>
Business type activities capital assets, net	<u>25,354</u>	<u>(3,533)</u>	-	<u>21,821</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Support services:	
Student support	13,437
Administration services	8,682
Operation and maintenance of plant services	3,680
Transportation	<u>28,359</u>
	54,158
Unallocated depreciation	<u>123,783</u>
Total depreciation expense – governmental activities	<u>177,941</u>
Business type activities:	
Food services	<u>3,533</u>

6. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	2,260,000	-	90,000	2,170,000	90,000
Net OPEB liability	<u>57,456</u>	<u>16,886</u>	-	<u>74,342</u>	-
	<u>2,317,456</u>	<u>16,886</u>	<u>90,000</u>	<u>2,244,342</u>	<u>90,000</u>
Business type activities:					
Net OPEB liability	<u>2,672</u>	<u>1,089</u>	-	<u>3,761</u>	-

General Obligation Bonds

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

Bond Issue of May, 2009				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2014	3.50	90,000	103,120	193,120
2015	4.00	95,000	99,970	194,970
2016	4.50	100,000	96,170	196,170
2017	4.50	105,000	91,670	196,670
2018	4.50	110,000	86,945	196,945
2019-2023	4.20-4.90	655,000	355,140	1,010,140
2024-2028	5.00-5.20	825,000	181,125	1,006,125
2029	5.25	190,000	9,975	199,975
		<u>2,170,000</u>	<u>1,024,115</u>	<u>3,194,115</u>

7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$113,678, \$127,922 and \$110,760 respectively, equal to the required contributions for each year.

8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 33 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

	\$
Annual required contribution	22,789
Interest on net OPEB obligation	1,503
Adjustment to annual required contribution	<u>(3,662)</u>
Annual OPEB cost	20,630
Contributions made	<u>(2,655)</u>
Increase in net OPEB obligation	17,975
Net OPEB obligation beginning of year	<u>60,128</u>
 Net OPEB obligation end of year	 <u>78,103</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. 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 \$2,655 to the medical plan. Plan members eligible for benefits contributed \$8,271, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	20,197	4%	19,282
2011	20,708	5%	38,878
2012	22,636	6%	60,128
2013	20,630	13%	78,103

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 \$179,897, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$179,897. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,202,000 and the ratio of the UAAL to covered payroll was 15%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

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

The UAAL is being amortized over 30 years.

9. Risk Management

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.

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 \$99,675 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.

11. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
	\$
Gifted and talented	12,118
Core curriculum	6,159
Teacher salary supplement	16,316
Dropout prevention	31,226
Preschool	12,844
Educator quality, professional development	9,479
At risk	14,484
Mentoring	1,101
	<u>103,727</u>

12. Deficit Fund Balances

At June 30, 2013 the District's School Nutrition Fund has a \$17,424 deficit unrestricted net position balance.

13. Construction Commitment

The District entered into a construction contract for \$198,621 to build a bus barn. Work had not started as of June 30, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2013

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,831,418	55,362	2,886,780	3,030,774	3,030,774	(143,994)
State sources	679,430	991	680,421	745,434	745,434	(65,013)
Federal sources	64,726	53,857	118,583	152,000	152,000	(33,417)
Total revenues	<u>3,575,574</u>	<u>110,210</u>	<u>3,685,784</u>	<u>3,928,208</u>	<u>3,928,208</u>	<u>(242,424)</u>
Expenditures/Expenses:						
Instruction	1,680,605	-	1,680,605	2,393,930	2,393,930	713,325
Support services	820,135	-	820,135	1,597,000	1,597,000	776,865
Non-instructional programs	1,180	119,541	120,721	160,100	160,100	39,379
Other expenditures	403,934	-	403,934	561,472	561,472	157,538
Total expenditures/expenses	<u>2,905,854</u>	<u>119,541</u>	<u>3,025,395</u>	<u>4,712,502</u>	<u>4,712,502</u>	<u>1,687,107</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	669,720	(9,331)	660,389	(784,294)	(784,294)	1,444,683
Other financing sources (uses) net	<u>1,162</u>	<u>-</u>	<u>1,162</u>	<u>-</u>	<u>-</u>	<u>1,162</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	670,882	(9,331)	661,551	(784,294)	(784,294)	1,445,845
Balance beginning of year	<u>1,562,895</u>	<u>13,728</u>	<u>1,576,623</u>	<u>1,244,217</u>	<u>1,244,217</u>	<u>332,406</u>
Balance end of year	<u><u>2,233,777</u></u>	<u><u>4,397</u></u>	<u><u>2,238,174</u></u>	<u><u>459,923</u></u>	<u><u>459,923</u></u>	<u><u>1,778,251</u></u>

NORTHEAST HAMILTON 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 Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2013, expenditures did not exceed the amount budgeted.

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	153,601	153,601	0.0%	1,793,000	8.6%
2011	July 1, 2009	-	154,905	154,905	0.0%	1,522,000	10.2%
2012	July 1, 2009	-	150,825	150,825	0.0%	1,445,000	10.4%
2013	July 1, 2012	-	179,897	179,897	0.0%	1,202,000	15.0%

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

SUPPLEMENTARY INFORMATION

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

Assets	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	
	\$	\$	\$
Cash, cash equivalents and pooled investments	135,821	37,800	173,621
Receivables:			
Property tax:			
Delinquent	884	-	884
Succeeding year	100,000	-	100,000
Accounts	-	815	815
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>236,705</u></u>	<u><u>38,615</u></u>	<u><u>275,320</u></u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	1,499	50	1,549
Deferred revenue:			
Succeeding year property tax	100,000	-	100,000
Total liabilities	<u>101,499</u>	<u>50</u>	<u>101,549</u>
Fund balances:			
Restricted for:			
Management levy	135,206	-	135,206
Student activities	-	38,565	38,565
Total fund balances	<u>135,206</u>	<u>38,565</u>	<u>173,771</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u><u>236,705</u></u>	<u><u>38,615</u></u>	<u><u>275,320</u></u>

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Special Revenue Funds		Total
	Management Levy	Student Activity	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	100,436	-	100,436
Other	201	57,236	57,437
State sources	27	-	27
Total revenues	<u>100,664</u>	<u>57,236</u>	<u>157,900</u>
Expenditures:			
Current:			
Instruction:			
Regular	16,665	-	16,665
Other	-	65,626	65,626
Support services:			
Instructional staff	2,949	-	2,949
Administration	6,690	-	6,690
Operation and maintenance of plant	19,379	-	19,379
Transportation	6,600	-	6,600
Non-instructional programs	1,180	-	1,180
Total expenditures	<u>53,463</u>	<u>65,626</u>	<u>119,089</u>
Change in fund balances	47,201	(8,390)	38,811
Fund balances beginning of year	<u>88,005</u>	<u>46,955</u>	<u>134,960</u>
Fund balances end of year	<u><u>135,206</u></u>	<u><u>38,565</u></u>	<u><u>173,771</u></u>

NORTHEAST HAMILTON 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	53,647	364,576	418,223
Receivables:			
Property tax:			
Delinquent	-	1,078	1,078
Succeeding year	-	202,554	202,554
Due from other governments	65,844	75,893	141,737
Total assets	119,491	644,101	763,592
Liabilities & Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	-	202,554	202,554
Income surtax	-	75,893	75,893
Total liabilities	-	278,447	278,447
Fund balances:			
Restricted for:			
School infrastructure	119,491	-	119,491
Physical plant and equipment	-	365,654	365,654
Total fund balances	119,491	365,654	485,145
Total liabilities and fund balances	119,491	644,101	763,592

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	193,063	222,995	416,058
Other	829	2,207	3,036
State sources	-	32	32
Total revenues	<u>193,892</u>	<u>225,234</u>	<u>419,126</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	25,529	25,529
Support services:			
Instructional staff services	220	42,942	43,162
Other expenditures:			
Facilities acquisition	41,486	66,003	107,489
Total expenditures	<u>41,706</u>	<u>134,474</u>	<u>176,180</u>
Excess (deficiency) of revenues over (under) expenditures	152,186	90,760	242,946
Other financing sources (uses):			
Operating transfers out	<u>(85,000)</u>	<u>-</u>	<u>(85,000)</u>
Change in fund balance	67,186	90,760	157,946
Fund balances beginning of year	<u>52,305</u>	<u>274,894</u>	<u>327,199</u>
Fund balance end of year	<u><u>119,491</u></u>	<u><u>365,654</u></u>	<u><u>485,145</u></u>

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Student council	121	3,641	2,820	273	1,215
JH student council	-	248	-	-	248
Student commons	(1,000)	5,236	6,049	2,392	579
National Honor Society	-	200	85	-	115
Fall play (drama)	1,433	633	737	399	1,728
Swing choir	17	-	-	-	17
Band	6,538	253	904	-	5,887
Instrument rent & ins.	94	310	-	-	404
Yearbook	21,086	2,840	3,084	(1,000)	19,842
Future Farmers of America	-	38	24	(14)	-
Family and consumer science club	897	-	225	(672)	-
Fall cheerleaders	905	1,891	1,650	230	1,376
Drill team	461	-	-	(461)	-
Spanish club	37	-	-	(37)	-
Alumni Classes	-	-	-	324	324
Class of 2004	320	-	-	(320)	-
Class of 2012	122	-	-	(122)	-
Class of 2011	(1,797)	-	-	1,797	-
Class of 2013	598	-	539	-	59
Class of 2014	2,663	2,149	1,776	(1,799)	1,237
Class of 2015	159	2,262	2,093	-	328
Class of 2016	-	-	122	122	-
After prom party	700	4,110	4,084	(192)	534
Quiz bowl	-	60	60	-	-
Athletics	726	21,872	25,111	3,433	920
Football donations	3,781	4,764	8,132	-	413
Boys basketball donations	327	690	750	(45)	222
Baseball donations	(46)	1,577	1,577	46	-
Boys track donations	428	80	-	-	508
Golf donations	194	61	255	-	-
Softball donations	280	430	689	-	21
Girls basketball donations	1,152	1,846	2,571	-	427
Volleyball donation	695	1,211	1,517	-	389
Girls track donations	238	691	772	-	157
Interest on investment	5,092	143	-	(3,620)	1,615
Earth day	399	-	-	(399)	-
Fifth grade Iowa trip	335	-	-	(335)	-
Total	46,955	57,236	65,626	-	38,565

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2013

	<u>Spirit Club</u> \$
Balance beginning of year	11,873
Additions:	
Collections	18,333
Deductions:	
Miscellaneous	<u>22,286</u>
Balance end of year	<u><u>7,920</u></u>

NORTHEAST HAMILTON 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	2,497,236	2,489,287	2,202,097	1,806,420	1,643,283	1,437,005	1,488,065	1,516,005	1,404,323	1,392,025
Tuition	133,920	212,336	198,001	272,293	219,279	277,811	229,589	212,004	233,379	97,437
Other	200,262	230,856	244,566	206,125	156,887	226,157	241,646	211,572	162,270	126,656
Intermediate sources	-	-	-	-	-	-	5,000	-	-	-
State sources	679,430	924,552	916,490	719,191	986,383	1,064,461	991,282	1,252,296	1,139,668	908,056
Federal sources	64,726	115,853	153,711	225,745	95,765	80,083	84,765	103,919	89,840	85,950
Total revenues	<u>3,575,574</u>	<u>3,972,884</u>	<u>3,714,865</u>	<u>3,229,774</u>	<u>3,101,597</u>	<u>3,085,517</u>	<u>3,040,347</u>	<u>3,295,796</u>	<u>3,029,480</u>	<u>2,610,124</u>
Expenditures:										
Instruction:										
Regular	1,145,041	1,170,195	1,205,244	1,161,555	1,195,593	1,110,925	992,603	1,033,066	1,021,015	960,410
Special	228,016	341,259	262,994	347,738	330,232	269,913	283,106	292,186	367,483	353,349
Other	307,548	448,097	503,416	478,194	482,607	452,985	433,149	459,902	347,561	279,106
Support services:										
Student	47,126	39,483	47,785	55,709	56,893	61,557	90,343	89,321	84,538	75,941
Instructional staff	90,717	150,552	99,458	139,794	126,344	109,811	105,076	176,173	86,869	79,631
Administration	272,376	358,531	343,064	364,040	354,253	342,690	339,596	332,257	325,582	280,503
Operation and maintenance	246,190	275,894	302,199	240,908	293,491	278,938	294,859	305,449	253,704	266,533
Transportation	163,726	249,330	183,075	197,160	175,420	181,394	213,063	147,350	203,364	154,817
Non-instructional programs	1,180	822	1,353	1,300	2,045	820	827	945	10,341	1,492
Other expenditures:										
Facilities acquisition	107,489	65,072	285,635	2,686,581	520,426	45,294	50,496	67,983	108,615	79,763
Long-term debt:										
Principal	90,000	85,000	80,000	75,000	-	-	-	-	-	-
Interest and other charges	106,770	109,532	112,083	114,470	-	-	-	-	-	-
AEA flowthrough	99,675	101,432	111,640	110,512	101,256	99,272	98,443	97,959	90,245	90,554
Total expenditures	<u>2,905,854</u>	<u>3,395,199</u>	<u>3,537,946</u>	<u>5,972,961</u>	<u>3,638,560</u>	<u>2,953,599</u>	<u>2,901,561</u>	<u>3,002,591</u>	<u>2,899,317</u>	<u>2,622,099</u>

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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
Northeast Hamilton Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental 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 Northeast Hamilton Community School District and 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 May 23, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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.

Northeast Hamilton Community School District's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 Northeast Hamilton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

May 23, 2014

NORHTEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

NORHTEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

- 13-II-A Certified Budget: Expenditures for the year ended June 30, 2013, did not exceed the certified budget.
- 13-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 13-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 13-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 13-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 13-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 13-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 13-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 13-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 13-II-J Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.
- 13-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 13-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance 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 following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

NORHTEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

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

Beginning balance	\$	\$
		52,305
Revenues/transfers in:		
Statewide sales, services and use tax revenue	193,063	
Interest	829	193,892
Expenditures/transfers out:		
School infrastructure construction	41,486	
Equipment	220	
Transfers to debt service fund	85,000	126,706
Ending balance		119,491

For the year ended June 30, 2013, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	\$	\$
Debt service levy	1.14063	85,000

13-II-M Deficit Balances: The District has an unrestricted net assets deficit balance in the School Nutrition Fund of \$17,424 at June 30, 2013.

Recommendation: The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.