

HINTON COMMUNITY SCHOOL DISTRICT

Hinton, Iowa

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

June 30, 2014

HINTON COMMUNITY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Hinton Community School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hinton Community School District (the District), Hinton, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2014, 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 5 through 12 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 the District's basic 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 January 7, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

January 7, 2015
Sioux City, Iowa

King Reinisch Prosser & Co LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hinton Community School District (the District) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 Financial Highlights

- General Fund revenues decreased from \$6,569,088 in fiscal year 2013 to \$6,424,068 in fiscal year 2014, while General Fund expenditures increased from \$6,426,641 in fiscal year 2013 to \$6,841,968 in fiscal year 2014. The District's General Fund balance decreased from \$1,330,716 in fiscal year 2013 to \$912,816 in fiscal year 2014, a 31.4 percent decrease.
- The decrease in General Fund revenues was primarily attributable to the District not having a cash reserve levy in fiscal year 2014.
- The increase in General Fund expenditures was primarily attributable to additional staff necessary for an increase in enrollment and approved increases in all salaries.

Using This Annual Report

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the District as a whole and present an overall view of the District's finances.
- The fund financial statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide financial information about activities for which the District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds and Capital Project Funds.

Reporting the District's Financial Activities

Government-Wide Financial Statements - The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. 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 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, before and after school, and preschool programs are included here.

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

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

The District has three kinds of funds.

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

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project 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 three enterprise funds: the School Nutrition Fund, the Before and After School Program, and the Preschool Program.

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

3. Fiduciary Funds - The District is the trustee, or fiduciary, for assets that belong to others. The District's fiduciary fund is the Private Purpose Trust Fund.

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

The District is responsible for ensuring the assets reported in the fiduciary fund 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 governmental fund financial statements follow the governmental fund financial statements.

Government-Wide Financial Analysis

Figure A-1 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

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

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Total</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>
Current and other assets	\$ 6,155	\$ 6,889	\$ 63	\$ 77	\$ 6,218	\$ 6,966	(10.7%)
Capital assets, net	12,851	12,838	26	31	12,877	12,869	0.1%
Total assets	\$ 19,006	\$ 19,727	\$ 89	\$ 108	\$ 19,095	\$ 19,835	(3.7%)
Long-term liabilities	\$ 9,298	\$ 9,475	\$ -	\$ -	\$ 9,298	\$ 9,475	(1.9%)
Other liabilities	836	902	7	13	843	915	(7.9%)
Total liabilities	\$ 10,134	\$ 10,377	\$ 7	\$ 13	\$ 10,141	\$ 10,390	(2.4%)
Deferred inflows of resources	\$ 2,640	\$ 2,900	\$ -	\$ -	\$ 2,640	\$ 2,900	(9.0%)
Net position:							
Net investment in capital assets	\$ 3,925	\$ 3,708	\$ 26	\$ 31	\$ 3,951	\$ 3,739	5.7%
Restricted	1,418	1,472	-	-	1,418	1,472	(3.7%)
Unrestricted	889	1,270	56	64	945	1,334	(29.2%)
Total net position	\$ 6,232	\$ 6,450	\$ 82	\$ 95	\$ 6,314	\$ 6,545	(3.5%)

The District's total net position decreased 3.5 percent, or approximately \$231,000, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructures, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position - represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$54,000, or 3.7 percent from the prior year.

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- decreased approximately \$389,000, or 29.2 percent from the prior year. The decrease was primarily a result of the net decrease seen in the general fund.

Figure A-2 shows the changes in net position for the years ended June 30, 2014 compared to the year ended June 30, 2013.

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

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for services	\$ 2,112	\$ 1,768	\$ 424	\$ 400	\$ 2,536	\$ 2,168	17.0%
Operating grants, contributions and restricted interest	841	806	118	106	959	912	5.2%
Capital grants, contributions and restricted interest	-	1	-	-	-	1	(100.0%)
General revenues:							
Property tax	2,502	2,795	-	-	2,502	2,795	(10.5%)
Unrestricted state grants	2,047	2,035	-	-	2,047	2,035	0.6%
Unrestricted investment earnings	14	14	-	-	14	14	0.0%
Local surtax	313	478	-	-	313	478	(34.5%)
Statewide sales, services and use tax	496	418	-	-	496	418	18.7%
Other	3	106	-	-	3	106	(97.2%)
Total revenues	\$ 8,328	\$ 8,421	\$ 542	\$ 506	\$ 8,870	\$ 8,927	(0.6%)
Program expenses:							
Instruction	\$ 5,736	\$ 5,289	\$ 195	\$ -	\$ 5,931	\$ 5,289	12.1%
Support services	2,173	1,938	-	-	2,173	1,938	12.1%
Non-instructional programs	-	-	360	545	360	545	(33.9%)
Other expenses	637	660	-	-	637	660	(3.5%)
Total expenses	\$ 8,546	\$ 7,887	\$ 555	\$ 545	\$ 9,101	\$ 8,432	7.9%
Change in net position	\$ (218)	\$ 534	\$ (13)	\$ (39)	\$ (231)	\$ 495	(146.7%)
Net position beginning of year	6,450	5,916	95	134	6,545	6,050	8.2%
Net position end of year	\$ 6,232	\$ 6,450	\$ 82	\$ 95	\$ 6,314	\$ 6,545	(3.5%)

In fiscal year 2014, property tax and unrestricted state grants accounted for 54.6 percent of governmental activities revenue (57.4 percent in 2013), while charges for service and operating grants, contributions and restricted interest accounted for 99.9 percent of business type activities revenue (99.9 percent in 2013). The District's total revenues were approximately \$8.9 million, of which approximately \$8.3 million was for governmental activities and approximately \$542,000 was from business type activities.

The District's expenses primarily relate to instruction and support services, which account for 89.0 percent of the total expenses (85.7 percent in 2013).

As shown in Figure A-2, the District as a whole experienced a 0.6 percent decrease in revenues and a 7.9 percent increase in expenses. Property tax revenue decreased approximately \$293,000 primarily due to not having a cash reserve levy in the current year, and program revenues increased approximately \$414,000 due to an increase in open enrollment. The increase in expenses is primarily to serve students with additional staff.

Governmental Activities - Revenues for governmental activities were \$8,328,373 and expenses were \$8,546,930 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses, for the years ended June 30, 2014 compared to the year ended June 30, 2013.

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

	<u>Total Cost of Services</u>		<u>Percent</u>	<u>Net Cost of Services</u>		<u>Percent</u>
			<u>Change</u>			<u>Change</u>
	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Instruction	\$ 5,736	\$ 5,289	8.5%	\$ 3,004	\$ 2,923	2.8%
Support services	2,173	1,938	12.1%	2,163	1,933	11.9%
Other expenses	637	660	(3.5%)	427	455	(6.2%)
Totals	<u>\$ 8,546</u>	<u>\$ 7,887</u>	<u>8.4%</u>	<u>\$ 5,594</u>	<u>\$ 5,311</u>	<u>5.3%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$2,112,224 (\$1,768,120 in 2013).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$840,783 (\$806,544 in 2013).
- The net cost of governmental activities was financed with \$3,311,997 in property and other taxes (\$3,690,800 in 2013) and \$2,046,710 in unrestricted state grants (\$2,034,753 in 2013).

Business Type Activities - Revenues for business type activities during the year ended June 30, 2014 were \$542,488 (\$505,615 in 2013), representing a 7.3 percent increase over the prior year while expenses totaled \$554,875 (\$544,693 in 2013), a 1.9 percent increase over the prior year. The District's business type activities include the School Nutrition Fund, Before and After School Program and Preschool Program. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The increase in revenues is primarily due to an increase in lunch prices and more participation in the school nutrition program. The minimal increase in expenses is primarily due to the increase in participation.

Individual Fund Analysis

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,471,517, below last year's ending fund balances of \$2,874,989.

Governmental Fund Highlights

The District's General Fund balance decreased primarily due to the District increasing salaries and benefits as revenues were decreasing.

The Capital Projects Fund balance decrease was due to large expenditures for athletic facilities, transportation equipment and the repayment of the capital lease obligation.

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

Proprietary Fund Highlights

Proprietary fund net position decreased from \$94,784 in 2013 to \$82,397 in 2014, representing a decrease of approximately 13.1 percent. This was mainly due to revenues not there to support the Preschool Program due to decreased participation.

Budgetary Highlights

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

The District's total revenues were \$343,919 more than budgeted revenues, a variance of 4.0 percent. The most significant variance resulted from higher than expected state and federal source revenues due to increased enrollment. The District's total expenditures were \$5,713 more than budgeted, a variance of less than 1.0 percent.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2014, the District had invested approximately \$12.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4). More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$531,249.

The original cost of the District's capital assets was \$18,166,704. Governmental funds account for \$18,078,852, with the remainder of \$87,852 accounted for in the Proprietary, School Nutrition Fund and Before and After School Program.

The largest change in capital asset activity during the year occurred in the furniture and equipment category. The increase resulted from additions of transportation equipment, athletic facilities and the 1:1 laptop initiative.

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

	Governmental Activities		Business Type Activities		Total District		Percent
	2014	2013	2014	2013	2014	2013	Change 2013-2014
Land	\$ 867	\$ 867	\$ -	\$ -	\$ 867	\$ 867	0.0%
Buildings	9,980	10,246	-	-	9,980	10,246	(2.6%)
Improvements other than buildings	909	880	-	-	909	880	3.3%
Furniture and equipment	1,095	845	26	31	1,121	876	28.0%
Totals	<u>\$ 12,851</u>	<u>\$ 12,838</u>	<u>\$ 26</u>	<u>\$ 31</u>	<u>\$ 12,877</u>	<u>\$ 12,869</u>	<u>0.1%</u>

Long-Term Debt - At June 30, 2014, the District had \$9,298,327 in total long-term debt outstanding. This represents a 1.9 percent decrease from the prior year. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5.0 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is below its constitutional debt limit.

Figure A-5 (In Thousands)

	Long-Term Liabilities		
	Total District		Total
	June 30,		Change
	2014	2013	2013-2014
General obligation capital loan note	\$ 205	\$ 300	(31.7%)
General obligation bond payable	5,030	5,260	(4.4%)
Revenue bonds	3,390	3,530	(4.0%)
Notes payable	102	40	155.0%
Capital lease obligation	200	-	100.0%
Early retirement	99	116	(14.7%)
Net OPEB liability	272	229	18.8%
Total	<u>\$ 9,298</u>	<u>\$ 9,475</u>	<u>(1.9%)</u>

Economic Factors Bearing on the District's Future

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

- Potential housing development in the District that would attract additional families.
- The voted PPEL levy is set to expire in fiscal year 2015.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Paula Schreck, District Business Manager, Hinton Community School District, 315 W. Grand, P.O. Box 128, Hinton, Iowa 51024.

BASIC FINANCIAL STATEMENTS

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 2,882,365	\$ 57,792	\$ 2,940,157
Receivables:			
Property tax:			
Delinquent	32,174	-	32,174
Succeeding year	2,640,399	-	2,640,399
Accounts	4,139	906	5,045
Due from other governments	594,629	-	594,629
Inventories	1,007	3,890	4,897
Capital assets, net of accumulated depreciation	<u>12,850,985</u>	<u>26,357</u>	<u>12,877,342</u>
Total assets	<u>\$ 19,005,698</u>	<u>\$ 88,945</u>	<u>\$ 19,094,643</u>
LIABILITIES:			
Accounts payable	\$ 89,445	\$ 784	\$ 90,229
Salaries and benefits payable	699,293	5,764	705,057
Accrued interest payable	46,656	-	46,656
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	20,513	-	20,513
Revenue bonds payable	145,000	-	145,000
General obligation capital loan note	100,000	-	100,000
General obligation bond payable	235,000	-	235,000
Notes payable	23,144	-	23,144
Capital lease obligation payable	65,076	-	65,076
Portion due after one year:			
Early retirement payable	78,930	-	78,930
Revenue bonds payable	3,245,000	-	3,245,000
General obligation capital loan note	105,000	-	105,000
General obligation bond payable	4,795,000	-	4,795,000
Notes payable	78,506	-	78,506
Capital lease obligation payable	134,858	-	134,858
Net OPEB liability	<u>272,300</u>	<u>-</u>	<u>272,300</u>
Total liabilities	<u>\$ 10,133,721</u>	<u>\$ 6,548</u>	<u>\$ 10,140,269</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable property tax revenue	<u>\$ 2,640,399</u>	<u>\$ -</u>	<u>\$ 2,640,399</u>
NET POSITION:			
Net investment in capital assets	\$ 3,924,401	\$ 26,357	\$ 3,950,758
Restricted for:			
Categorical funding	5,671	-	5,671
Debt service	420,931	-	420,931
Management levy purposes	72,308	-	72,308
Student activities	160,933	-	160,933
School infrastructure	614,677	-	614,677
Physical plant and equipment	143,753	-	143,753
Unrestricted	<u>888,904</u>	<u>56,040</u>	<u>944,944</u>
Total net position	<u>\$ 6,231,578</u>	<u>\$ 82,397</u>	<u>\$ 6,313,975</u>

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

		<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	<u>Expenses</u>			
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Instruction:				
Regular	\$ 4,382,691	\$ 1,315,840	\$ 547,193	\$ -
Special	667,354	321,000	70,092	-
Other	<u>686,701</u>	<u>473,983</u>	<u>5,178</u>	-
	<u>\$ 5,736,746</u>	<u>\$ 2,110,823</u>	<u>\$ 622,463</u>	<u>\$ -</u>
Support services:				
Student	\$ 228,534	\$ -	\$ -	\$ -
Instructional staff	118,773	-	-	-
Administration	756,192	-	-	-
Operation and maintenance of plant	660,275	1,401	-	-
Transportation	<u>409,229</u>	<u>-</u>	<u>8,190</u>	<u>-</u>
	<u>\$ 2,173,003</u>	<u>\$ 1,401</u>	<u>\$ 8,190</u>	<u>\$ -</u>
Other expenditures:				
Facilities acquisition	\$ 1,626	\$ -	\$ -	\$ -
Long-term debt interest	425,425	-	-	-
AEA flow through	<u>210,130</u>	<u>-</u>	<u>210,130</u>	<u>-</u>
	<u>\$ 637,181</u>	<u>\$ -</u>	<u>\$ 210,130</u>	<u>\$ -</u>
Total governmental activities	<u>\$ 8,546,930</u>	<u>\$ 2,112,224</u>	<u>\$ 840,783</u>	<u>\$ -</u>
Business type activities:				
Instruction:				
Preschool Program	\$ 195,381	\$ 184,627	\$ -	\$ -
Non-instructional programs:				
Food service operations	\$ 359,354	\$ 238,495	\$ 118,309	\$ -
Before and After School Program	<u>140</u>	<u>739</u>	<u>-</u>	<u>-</u>
	<u>\$ 359,494</u>	<u>\$ 239,234</u>	<u>\$ 118,309</u>	<u>\$ -</u>
Total business type activities	<u>\$ 554,875</u>	<u>\$ 423,861</u>	<u>\$ 118,309</u>	<u>\$ -</u>
Total	<u>\$ 9,101,805</u>	<u>\$ 2,536,085</u>	<u>\$ 959,092</u>	<u>\$ -</u>
GENERAL REVENUES:				
Property tax levied for:				
General purposes				
Debt service				
Management levy				
Physical plant and equipment levy				
Unrestricted state grants				
Unrestricted investment earnings				
Local surtax				
Statewide sales, services and use tax				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
\$ (2,519,658)	\$ -	\$ (2,519,658)
(276,262)	-	(276,262)
(207,540)	-	(207,540)
<u>\$ (3,003,460)</u>	<u>\$ -</u>	<u>\$ (3,003,460)</u>
\$ (228,534)	\$ -	\$ (228,534)
(118,773)	-	(118,773)
(756,192)	-	(756,192)
(658,874)	-	(658,874)
(401,039)	-	(401,039)
<u>\$ (2,163,412)</u>	<u>\$ -</u>	<u>\$ (2,163,412)</u>
\$ (1,626)	\$ -	\$ (1,626)
(425,425)	-	(425,425)
-	-	-
<u>\$ (427,051)</u>	<u>\$ -</u>	<u>\$ (427,051)</u>
<u>\$ (5,593,923)</u>	<u>\$ -</u>	<u>\$ (5,593,923)</u>
<u>\$ -</u>	<u>\$ (10,754)</u>	<u>\$ (10,754)</u>
\$ -	\$ (2,550)	\$ (2,550)
-	599	599
<u>\$ -</u>	<u>\$ (1,951)</u>	<u>\$ (1,951)</u>
<u>\$ -</u>	<u>\$ (12,705)</u>	<u>\$ (12,705)</u>
<u>\$ (5,593,923)</u>	<u>\$ (12,705)</u>	<u>\$ (5,606,628)</u>
\$ 1,612,403	\$ -	\$ 1,612,403
446,102	-	446,102
248,399	-	248,399
195,805	-	195,805
2,046,710	-	2,046,710
13,927	318	14,245
313,001	-	313,001
496,287	-	496,287
2,732	-	2,732
<u>\$ 5,375,366</u>	<u>\$ 318</u>	<u>\$ 5,375,684</u>
\$ (218,557)	\$ (12,387)	\$ (230,944)
6,450,135	94,784	6,544,919
<u>\$ 6,231,578</u>	<u>\$ 82,397</u>	<u>\$ 6,313,975</u>

HINTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
ASSETS:					
Cash, cash equivalents and pooled investments	\$ 1,453,475	\$ 469,274	\$ 616,636	\$ 342,980	\$ 2,882,365
Receivables:					
Property tax:					
Delinquent	21,004	5,509	2,418	3,243	32,174
Succeeding year	1,722,659	444,350	203,390	270,000	2,640,399
Accounts	960	-	-	3,179	4,139
Due from other governments	462,449	-	132,180	-	594,629
Due from other funds	4,160	-	7,196	-	11,356
Inventories	-	-	-	1,007	1,007
Total assets	<u>\$ 3,664,707</u>	<u>\$ 919,133</u>	<u>\$ 961,820</u>	<u>\$ 620,409</u>	<u>\$ 6,166,069</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 75,880	\$ -	\$ -	\$ 13,565	\$ 89,445
Salaries and benefits payable	699,293	-	-	-	699,293
Due to other funds	-	7,196	-	4,160	11,356
Total liabilities	<u>\$ 775,173</u>	<u>\$ 7,196</u>	<u>\$ -</u>	<u>\$ 17,725</u>	<u>\$ 800,094</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	\$ 1,722,659	\$ 444,350	\$ 203,390	\$ 270,000	\$ 2,640,399
Other	254,059	-	-	-	254,059
Total deferred inflows of resources	<u>\$ 1,976,718</u>	<u>\$ 444,350</u>	<u>\$ 203,390</u>	<u>\$ 270,000</u>	<u>\$ 2,894,458</u>
Fund balances:					
Restricted for:					
Categorical funding	\$ 5,671	\$ -	\$ -	\$ -	\$ 5,671
Debt service	-	467,587	-	-	467,587
Management levy purposes	-	-	-	171,751	171,751
Student activities	-	-	-	160,933	160,933
School infrastructure	-	-	614,677	-	614,677
Physical plant and equipment	-	-	143,753	-	143,753
Unassigned	907,145	-	-	-	907,145
Total fund balances	<u>\$ 912,816</u>	<u>\$ 467,587</u>	<u>\$ 758,430</u>	<u>\$ 332,684</u>	<u>\$ 2,471,517</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,664,707</u>	<u>\$ 919,133</u>	<u>\$ 961,820</u>	<u>\$ 620,409</u>	<u>\$ 6,166,069</u>

HINTON COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDSTO THE STATEMENT OF NET POSITIONJUNE 30, 2014

Total fund balances of governmental funds (page 15)	\$ 2,471,517
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	12,850,985
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.	(46,656)
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	254,059
Long-term liabilities, including bonds and notes payable, capital lease obligations, early retirement, and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(9,298,327)</u>
Net position of governmental activities (page 13)	<u>\$ 6,231,578</u>

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 1,895,991	\$ 446,102	\$ 195,805	\$ 248,399	\$ 2,786,297
Tuition	1,574,114	-	-	-	1,574,114
Other	66,470	-	4,068	482,358	552,896
State sources	2,772,594	-	496,287	-	3,268,881
Federal sources	114,899	-	-	-	114,899
Total revenues	<u>\$ 6,424,068</u>	<u>\$ 446,102</u>	<u>\$ 696,160</u>	<u>\$ 730,757</u>	<u>\$ 8,297,087</u>
Expenditures:					
Current:					
Instruction:					
Regular	\$ 3,945,487	\$ -	\$ 295,483	\$ 68,289	\$ 4,309,259
Special	624,900	-	-	-	624,900
Other	170,472	-	-	469,602	640,074
	<u>\$ 4,740,859</u>	<u>\$ -</u>	<u>\$ 295,483</u>	<u>\$ 537,891</u>	<u>\$ 5,574,233</u>
Support services:					
Student	\$ 214,965	\$ -	\$ -	\$ -	\$ 214,965
Instructional staff	108,778	-	-	-	108,778
Administration	711,333	-	-	24	711,357
Operation and maintenance of plant	470,938	-	98,260	118,716	687,914
Transportation	384,965	-	172,566	-	557,531
	<u>\$ 1,890,979</u>	<u>\$ -</u>	<u>\$ 270,826</u>	<u>\$ 118,740</u>	<u>\$ 2,280,545</u>
Other expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 42,526	\$ -	\$ 42,526
Long-term debt:					
Principal	-	558,702	-	-	558,702
Interest and fiscal charges	-	391,456	-	-	391,456
AEA flow through	210,130	-	-	-	210,130
	<u>\$ 210,130</u>	<u>\$ 950,158</u>	<u>\$ 42,526</u>	<u>\$ -</u>	<u>\$ 1,202,814</u>
Total expenditures	<u>\$ 6,841,968</u>	<u>\$ 950,158</u>	<u>\$ 608,835</u>	<u>\$ 656,631</u>	<u>\$ 9,057,592</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (417,900)</u>	<u>\$ (504,056)</u>	<u>\$ 87,325</u>	<u>\$ 74,126</u>	<u>\$ (760,505)</u>
Other financing sources (uses):					
Proceeds from note payable	\$ -	\$ -	\$ 86,268	\$ -	\$ 86,268
Proceeds from capital lease	-	-	268,893	-	268,893
Sale of capital assets	-	-	1,872	-	1,872
Operating transfers in	-	505,025	-	-	505,025
Operating transfers out	-	-	(505,025)	-	(505,025)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 505,025</u>	<u>\$ (147,992)</u>	<u>\$ -</u>	<u>\$ 357,033</u>
Change in fund balances	\$ (417,900)	\$ 969	\$ (60,667)	\$ 74,126	\$ (403,472)
Fund balances beginning of year	<u>1,330,716</u>	<u>466,618</u>	<u>819,097</u>	<u>258,558</u>	<u>2,874,989</u>
Fund balances end of year	<u>\$ 912,816</u>	<u>\$ 467,587</u>	<u>\$ 758,430</u>	<u>\$ 332,684</u>	<u>\$ 2,471,517</u>

HINTON COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2014

Change in fund balances - total governmental funds (page 17) \$ (403,472)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 539,681	
Depreciation expense	<u>(526,388)</u>	13,293

Certain local taxes not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds.

29,412

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issuances, as follows:

Issued	\$ (355,161)	
Repaid	<u>558,702</u>	203,541

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.

(32,180)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(1,789)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ 16,538	
Other postemployment benefits	<u>(43,900)</u>	<u>(27,362)</u>

Change in net position of governmental activities (page 14) \$ (218,557)

See notes to financial statements.

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENTS OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2014

	<u>School Nutrition</u>	<u>Before and After School Program</u>	<u>Preschool Program</u>	<u>Total</u>
ASSETS:				
Current assets:				
Cash, cash equivalents and pooled investments	\$ 2,097	\$ 19,606	\$ 36,089	\$ 57,792
Accounts receivable	596	-	310	906
Inventories	<u>3,890</u>	<u>-</u>	<u>-</u>	<u>3,890</u>
Total current assets	<u>\$ 6,583</u>	<u>\$ 19,606</u>	<u>\$ 36,399</u>	<u>\$ 62,588</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	<u>\$ 26,357</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,357</u>
Total assets	<u>\$ 32,940</u>	<u>\$ 19,606</u>	<u>\$ 36,399</u>	<u>\$ 88,945</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 48	\$ -	\$ 736	\$ 784
Salaries and benefits payable	<u>-</u>	<u>-</u>	<u>5,764</u>	<u>5,764</u>
Total current liabilities	<u>\$ 48</u>	<u>\$ -</u>	<u>\$ 6,500</u>	<u>\$ 6,548</u>
NET POSITION:				
Net investment in capital assets	\$ 26,357	\$ -	\$ -	\$ 26,357
Unrestricted	<u>6,535</u>	<u>19,606</u>	<u>29,899</u>	<u>56,040</u>
Total net position	<u>\$ 32,892</u>	<u>\$ 19,606</u>	<u>\$ 29,899</u>	<u>\$ 82,397</u>

HINTON COMMUNITY SCHOOL DISTRICT

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

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2014

	<u>School Nutrition</u>	<u>Before and After School Program</u>	<u>Preschool Program</u>	<u>Total</u>
Operating revenues:				
Local sources:				
Charges for service	\$ 238,495	\$ 739	\$ 184,627	\$ 423,861
Operating expenses:				
Instruction:				
Salaries	\$ -	\$ -	\$ 128,508	\$ 128,508
Benefits	-	-	32,602	32,602
Supplies	-	-	33,852	33,852
Miscellaneous	-	-	419	419
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,381</u>	<u>\$ 195,381</u>
Non-instructional programs:				
Purchased services	\$ 188,862	\$ -	\$ -	\$ 188,862
Supplies	165,631	140	-	165,771
Depreciation	4,861	-	-	4,861
	<u>\$ 359,354</u>	<u>\$ 140</u>	<u>\$ -</u>	<u>\$ 359,494</u>
Total operating expenses	<u>\$ 359,354</u>	<u>\$ 140</u>	<u>\$ 195,381</u>	<u>\$ 554,875</u>
Operating income (loss)	<u>\$ (120,859)</u>	<u>\$ 599</u>	<u>\$ (10,754)</u>	<u>\$ (131,014)</u>
Non-operating revenues:				
Interest income	\$ 93	\$ 93	\$ 132	\$ 318
State sources	2,921	-	-	2,921
Federal sources	115,388	-	-	115,388
Total non-operating revenues	<u>\$ 118,402</u>	<u>\$ 93</u>	<u>\$ 132</u>	<u>\$ 118,627</u>
Change in net position	\$ (2,457)	\$ 692	\$ (10,622)	\$ (12,387)
Net position beginning of year	<u>35,349</u>	<u>18,914</u>	<u>40,521</u>	<u>94,784</u>
Net position end of year	<u>\$ 32,892</u>	<u>\$ 19,606</u>	<u>\$ 29,899</u>	<u>\$ 82,397</u>

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2014

	<u>School Nutrition</u>	<u>Before and After School Program</u>	<u>Preschool Program</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 238,344	\$ -	\$ -	\$ 238,344
Cash received from before/after school parent payments	-	1,476	-	1,476
Cash received from preschool program payments	-	-	185,902	185,902
Cash paid to employees for services	(5,997)	-	(162,113)	(168,110)
Cash paid to suppliers for goods or services	<u>(335,188)</u>	<u>(166)</u>	<u>(33,977)</u>	<u>(369,331)</u>
Net cash provided by (used by) operating activities	<u>\$ (102,841)</u>	<u>\$ 1,310</u>	<u>\$ (10,188)</u>	<u>\$ (111,719)</u>
Cash flows from non-capital financing activities:				
State grants received	\$ 2,921	\$ -	\$ -	\$ 2,921
Federal grants received	<u>98,589</u>	<u>-</u>	<u>-</u>	<u>98,589</u>
Net cash provided by non-capital financing activities	<u>\$ 101,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,510</u>
Cash flows from investing activities:				
Interest on investments	<u>\$ 93</u>	<u>\$ 93</u>	<u>\$ 132</u>	<u>\$ 318</u>
Net change in cash, cash equivalents and pooled investments	\$ (1,238)	\$ 1,403	\$ (10,056)	\$ (9,891)
Cash, cash equivalents and pooled investments beginning of year	<u>3,335</u>	<u>18,203</u>	<u>46,145</u>	<u>67,683</u>
Cash, cash equivalents and pooled investments end of year	<u><u>\$ 2,097</u></u>	<u><u>\$ 19,606</u></u>	<u><u>\$ 36,089</u></u>	<u><u>\$ 57,792</u></u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (120,859)	\$ 599	\$ (10,754)	\$ (131,014)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Commodities used	16,272	-	-	16,272
Depreciation	4,861	-	-	4,861
(Increase) decrease in inventories	3,415	-	-	3,415
(Increase) decrease in accounts receivable	(151)	737	1,275	1,861
Increase (decrease) in salaries and benefits payable	(5,997)	-	(1,003)	(7,000)
Increase (decrease) in accounts payable	<u>(382)</u>	<u>(26)</u>	<u>294</u>	<u>(114)</u>
Net cash provided by (used by) operating activities	<u><u>\$ (102,841)</u></u>	<u><u>\$ 1,310</u></u>	<u><u>\$ (10,188)</u></u>	<u><u>\$ (111,719)</u></u>

Supplemental schedule of non-cash items; non-capital financing activities:

During the year ended June 30, 2014, the District received \$17,216 of federal commodities.

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND

JUNE 30, 2014

	<u>Private Purpose Trust</u>
ASSETS:	
Cash, cash equivalents and pooled investments	\$ <u>38,782</u>
Total assets	\$ <u>38,782</u>
LIABILITIES:	
Due to others	\$ <u>-</u>
Total liabilities	\$ <u>-</u>
NET POSITION:	
Reserved for scholarships	\$ <u><u>38,782</u></u>

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND

YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 261
Interest income	<u>28</u>
Total additions	<u>\$ 289</u>
Deductions:	
Support services:	
Scholarships awarded	<u>\$ -</u>
Change in net position	\$ 289
Net position beginning of year	<u>38,493</u>
Net position end of year	<u>\$ 38,782</u>

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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

- B. Basis of Presentation

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

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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 is often subject to constraints imposed by management which can be removed or modified.

Net position restricted through enabling legislation as of June 30, 2014 consists of \$72,308 for management levy, \$143,753 for physical plant and equipment levy, and \$614,677 for statewide sales tax.

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.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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 reports the following major proprietary funds:

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

The District also reports a fiduciary fund which focuses on net position and changes in net position.

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

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

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

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

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

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

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

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

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2 percent per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

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

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

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

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

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

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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.

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.

Deferred Inflows of Resources - 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 inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources 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.

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

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

Unassigned - All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in the instruction and non-instructional programs areas exceeded the amounts budgeted.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 2 - CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS:

The District's deposits in banks at June 30, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$96,075 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's financial services.

NOTE 3 - DUE FROM AND DUE TO OTHER FUNDS:

The detail of interfund receivables and payables at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	Debt Service	\$ <u>7,196</u>
General Fund	Activity Fund	\$ <u>4,160</u>

The Capital Projects Fund financed short-term cash shortages in the Debt Service Fund. The Student Activity Fund is repaying the General Fund for athletic event expenses. The amounts are to be repaid by June 30, 2015.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 4 - INTERFUND TRANSFERS:

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 505,025

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

NOTE 5 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2014 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 867,284	\$ -	\$ -	\$ 867,284
Total capital assets not being depreciated	<u>\$ 867,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 867,284</u>
Capital assets being depreciated:				
Buildings	\$ 13,226,775	\$ -	\$ -	\$ 13,226,775
Improvements other than buildings	1,420,584	57,322	-	1,477,906
Furniture and equipment	<u>2,096,132</u>	<u>482,359</u>	<u>71,604</u>	<u>2,506,887</u>
Total capital assets being depreciated	<u>\$ 16,743,491</u>	<u>\$ 539,681</u>	<u>\$ 71,604</u>	<u>\$ 17,211,568</u>
Less accumulated depreciation for:				
Buildings	\$ 2,980,879	\$ 265,947	\$ -	\$ 3,246,826
Improvements other than buildings	541,088	28,257	-	569,345
Furniture and equipment	<u>1,251,116</u>	<u>232,184</u>	<u>71,604</u>	<u>1,411,696</u>
Total accumulated depreciation	<u>\$ 4,773,083</u>	<u>\$ 526,388</u>	<u>\$ 71,604</u>	<u>\$ 5,227,867</u>
Total capital assets being depreciated, net	<u>\$ 11,970,408</u>	<u>\$ 13,293</u>	<u>\$ -</u>	<u>\$ 11,983,701</u>
Governmental activities capital assets, net	<u>\$ 12,837,692</u>	<u>\$ 13,293</u>	<u>\$ -</u>	<u>\$ 12,850,985</u>
Business type activities:				
Furniture and equipment	\$ 87,852	\$ -	\$ -	\$ 87,852
Less accumulated depreciation	<u>56,634</u>	<u>4,861</u>	<u>-</u>	<u>61,495</u>
Business type activities capital assets, net	<u>\$ 31,218</u>	<u>\$ (4,861)</u>	<u>\$ -</u>	<u>\$ 26,357</u>

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 5 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 314,962
Special	42,454
Other	<u>46,627</u>
	<u>\$ 404,043</u>

Support services:

Student	\$ 13,569
Instructional staff	9,994
Administration	44,835
Operation and maintenance of plant	29,683
Transportation	<u>24,264</u>
	<u>\$ 122,345</u>

Total depreciation expense - governmental activities	<u><u>\$ 526,388</u></u>
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Business type activities:

Food service operations	<u><u>\$ 4,861</u></u>
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NOTE 6 - LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning <u>of Year</u>	<u>Additions</u>	<u>Reductions</u>	Balance End <u>of Year</u>	Due Within <u>One Year</u>
General obligation capital loan note	\$ 300,000	\$ -	\$ 95,000	\$ 205,000	\$ 100,000
General obligation bond payable	5,260,000	-	230,000	5,030,000	235,000
Revenue bonds	3,530,000	-	140,000	3,390,000	145,000
Notes payable	40,125	86,268	24,743	101,650	23,144
Capital lease obligation	-	268,893	68,959	199,934	65,076
Early retirement	<u>115,981</u>	<u>41,971</u>	<u>58,509</u>	<u>99,443</u>	<u>20,513</u>
Total	<u><u>\$ 9,246,106</u></u>	<u><u>\$ 397,132</u></u>	<u><u>\$ 617,211</u></u>	<u><u>\$ 9,026,027</u></u>	<u><u>\$ 588,733</u></u>

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

General Obligation Capital Loan Note - Details of the District's general obligation capital loan note indebtedness as of June 30, 2014 are as follows:

Year Ending	<u>Capital Loan Note Dated June 29, 2009</u>				
	<u>June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015		3.50%	\$ 100,000	\$ 7,438	\$ 107,438
2016		3.75%	105,000	3,938	108,938
Total			<u>\$ 205,000</u>	<u>\$ 11,376</u>	<u>\$ 216,376</u>

General Obligation Bond Payable - Details of the District's general obligation bond payable indebtedness as of June 30, 2014 are as follows:

Year Ending	<u>General Obligation Bond Dated May 1, 2010</u>				
	<u>June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015		3.75%	\$ 235,000	\$ 208,850	\$ 443,850
2016		3.75%	245,000	200,038	445,038
2017		3.75%	255,000	190,850	445,850
2018		4.00%	265,000	181,288	446,288
2019		4.00%	275,000	170,688	445,688
Thereafter		4.0-4.60%	<u>3,755,000</u>	<u>1,041,639</u>	<u>4,796,639</u>
Total			<u>\$ 5,030,000</u>	<u>\$ 1,993,353</u>	<u>\$ 7,023,353</u>

Revenue Bonds - Details of the District's statewide sales, services and use tax revenue bonded indebtedness as of June 30, 2014 are as follows:

Year Ending	<u>Bond Issue of July 1, 2004</u>			<u>Bond Issue of December 1, 2009</u>			<u>Total</u>			
	<u>June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015		4.25%	\$ 145,000	\$ 3,081		\$ -	\$ 149,065	\$ 145,000	\$ 152,146	\$ 297,146
2016			-	-	4.25%	150,000	145,878	150,000	145,878	295,878
2017			-	-	4.25%	175,000	138,971	175,000	138,971	313,971
2018			-	-	4.25%	175,000	131,534	175,000	131,534	306,534
2019			-	-	4.30%	175,000	124,052	175,000	124,052	299,052
Thereafter			-	-	4.3-5.00%	<u>2,570,000</u>	<u>730,515</u>	<u>2,570,000</u>	<u>730,515</u>	<u>3,300,515</u>
Total			<u>\$ 145,000</u>	<u>\$ 3,081</u>		<u>\$3,245,000</u>	<u>\$1,420,015</u>	<u>\$3,390,000</u>	<u>\$1,423,096</u>	<u>\$4,813,096</u>

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

The District has pledged future statewide sales, services and use tax revenues to repay the bond issues of July 2004 and December 2009. The bonds were issued for the purpose of financing school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2015 and 2029, respectively. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 80 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$4,813,096. For the current year, \$298,132 in principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$496,287.

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

- a) \$320,440 from the 2009 revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District complied with all of the revenue bond provisions during the year ended June 30, 2014.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

Notes Payable - During the years ended June 30, 2012 and 2014, the District issued notes payable to finance the purchase of equipment. The notes bear interest at 2.9 to 4.3 percent, per annum and are payable from the Special Revenue, Physical, Plant and Equipment Levy Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2014 are as follows:

Year Ending June 30,	Note Dated July 15, 2011		Note Dated July 30, 2013		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2015	\$ 13,367	\$ 1,202	\$ 9,777	\$ 2,163	\$ 23,144	\$ 3,365	\$ 26,509
2016	13,955	614	10,062	1,878	24,017	2,492	26,509
2017	-	-	54,489	1,586	54,489	1,586	56,075
Total	<u>\$ 27,322</u>	<u>\$ 1,816</u>	<u>\$ 74,328</u>	<u>\$ 5,627</u>	<u>\$ 101,650</u>	<u>\$ 7,443</u>	<u>\$ 109,093</u>

Capital Lease - On March 25, 2014, the District entered into a four-year lease agreement as lessee for financing the acquisition of laptops as part of the 1:1 Laptop Initiative. This initiative was approved by the District to provide laptops for students and faculty use. The cost of the laptops and accessories was \$268,893 and has been capitalized and is being depreciated in accordance with the District's policy. The assets and associated depreciation expense are included in the furniture and equipment classification.

The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2014.

Year Ending June 30,	Capital Lease Obligation			
	Interest Rate	Principal	Interest	Total
2015	2.39%	\$ 65,076	\$ 4,781	\$ 69,857
2016	2.39%	66,632	3,225	69,857
2017	2.39%	68,226	1,631	69,857
		<u>\$ 199,934</u>	<u>\$ 9,637</u>	<u>\$ 209,571</u>

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

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

At June 30, 2014, the District had an obligation to one participant with a total liability of \$99,443 extending through the year ending June 30, 2020. Early retirement benefits paid during the year ended June 30, 2014 totaled \$62,486. The total liability for early retirement is recorded in the government-wide financial statements and is calculated assuming an annual 3 percent increase in monthly premiums with a 5 percent discount rate.

NOTE 7 - PENSION AND RETIREMENT BENEFITS:

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

Plan members are required to contribute 5.95 percent of their annual covered salary and the District is required to contribute 8.93 percent of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$367,839, \$348,032, and \$307,078, respectively, equal to the required contributions for each year.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 90 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 91,000
Interest on net OPEB obligation	10,200
Adjustment to annual required contribution	<u>(9,300)</u>
Annual OPEB cost	\$ 91,900
Contributions made	<u>(48,000)</u>
Increase in net OPEB obligation	\$ 43,900
Net OPEB obligation beginning on year	<u>228,400</u>
Net OPEB obligation end of year	<u><u>\$ 272,300</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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, 2014.

For the year ended June 30, 2014, the District contributed \$48,000 to the medical plan. Plan members eligible for benefits contributed \$32,013, or 40.0 percent of the premium costs.

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

Year Ended <u>June 30,</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
2012	\$ 103,500	42.5%	\$ 180,900
2013	91,500	48.1%	228,400
2014	91,900	52.2%	272,300

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$549,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$549,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4.135 million and the ratio of the UAAL's covered payroll was 13.3 percent. As of June 30, 2014, 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

Projected claim costs of the medical plan are \$730 per month for retirees. The salary increase rate was assumed to be 3.5 percent per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 9 - RISK MANAGEMENT:

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

NOTE 10 - AREA EDUCATION AGENCY:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$210,130 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 11 - CONSTRUCTION COMMITMENT:

The District entered into a contract totaling \$24,983 for building improvements. As of June 30, 2014, no costs have been incurred against the contract. The balance of \$24,983 will be paid as work on the project progresses.

NOTE 12 - PROSPECTIVE ACCOUNTING CHANGE:

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions- an Amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

HINTON COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES

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

AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2014

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total Actual</u>
Revenues:			
Local sources	\$ 4,913,307	\$ 424,179	\$ 5,337,486
State sources	3,268,881	2,921	3,271,802
Federal sources	<u>114,899</u>	<u>115,388</u>	<u>230,287</u>
Total revenues	<u>\$ 8,297,087</u>	<u>\$ 542,488</u>	<u>\$ 8,839,575</u>
Expenditures/expenses:			
Instruction	\$ 5,574,233	\$ 195,381	\$ 5,769,614
Support services	2,280,545	-	2,280,545
Non-instructional programs	-	359,494	359,494
Other expenditures	<u>1,202,814</u>	<u>-</u>	<u>1,202,814</u>
Total expenditures/expenses	<u>\$ 9,057,592</u>	<u>\$ 554,875</u>	<u>\$ 9,612,467</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ (760,505)	\$ (12,387)	\$ (772,892)
Other financing sources, net	<u>\$ 357,033</u>	<u>\$ -</u>	<u>\$ 357,033</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	\$ (403,472)	\$ (12,387)	\$ (415,859)
Balances beginning of year	<u>2,874,989</u>	<u>94,784</u>	<u>2,969,773</u>
Balances end of year	<u>\$ 2,471,517</u>	<u>\$ 82,397</u>	<u>\$ 2,553,914</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Actual</u>
		<u>Variance</u>
\$ 5,558,269	\$ 5,558,269	\$ (220,783)
2,852,204	2,852,204	419,598
85,183	85,183	145,104
<u>\$ 8,495,656</u>	<u>\$ 8,495,656</u>	<u>\$ 343,919</u>
\$ 5,340,713	\$ 5,495,713	\$ (273,901)
2,197,501	2,295,501	14,956
324,118	352,495	(6,999)
<u>1,084,455</u>	<u>1,463,045</u>	<u>260,231</u>
<u>\$ 8,946,787</u>	<u>\$ 9,606,754</u>	<u>\$ (5,713)</u>
<u>\$ (451,131)</u>	<u>\$ (1,111,098)</u>	<u>\$ 338,206</u>

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$659,967.

During the year ended June 30, 2014, expenditures in the instruction and non-instructional programs functions exceeded the amounts budgeted.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Actuarial</u> <u>Valuation Date</u>	<u>Actuarial</u> <u>Value of Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL (UAAL)</u> <u>(b-a)</u>	<u>Funded Ratio</u> <u>(a/b)</u>
2010	July 1, 2009	\$ -	\$ 561,000	\$ 561,000	0.0%
2013	July 1, 2012	\$ -	\$ 549,000	\$ 549,000	0.0%

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

SUPPLEMENTARY INFORMATION

HINTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	<u>Special Revenue</u>		
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Total</u>
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 168,508	\$ 174,472	\$ 342,980
Receivables:			
Property tax:			
Delinquent	3,243	-	3,243
Succeeding year	270,000	-	270,000
Accounts	-	3,179	3,179
Inventories	-	1,007	1,007
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 441,751</u>	<u>\$ 178,658</u>	<u>\$ 620,409</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ -	\$ 13,565	\$ 13,565
Due to other funds	-	4,160	4,160
Total liabilities	<u>\$ -</u>	<u>\$ 17,725</u>	<u>\$ 17,725</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ 270,000	\$ -	\$ 270,000
Total deferred inflows of resources	<u>\$ 270,000</u>	<u>\$ -</u>	<u>\$ 270,000</u>
Fund balances:			
Restricted for:			
Management levy purposes	\$ 171,751	\$ -	\$ 171,751
Student activities	-	160,933	160,933
Total fund balances	<u>\$ 171,751</u>	<u>\$ 160,933</u>	<u>\$ 332,684</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 441,751</u>	<u>\$ 178,658</u>	<u>\$ 620,409</u>

HINTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	<u>Special Revenue</u>		
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 248,399	\$ -	\$ 248,399
Other	<u>5,751</u>	<u>476,607</u>	<u>482,358</u>
Total revenues	<u>\$ 254,150</u>	<u>\$ 476,607</u>	<u>\$ 730,757</u>
Expenditures:			
Current:			
Instruction:			
Regular	\$ 68,289	\$ -	\$ 68,289
Other	<u>-</u>	<u>469,602</u>	<u>469,602</u>
	<u>\$ 68,289</u>	<u>\$ 469,602</u>	<u>\$ 537,891</u>
Support services:			
Administration	\$ 24	\$ -	\$ 24
Operation and maintenance of plant	<u>118,716</u>	<u>-</u>	<u>118,716</u>
	<u>\$ 118,740</u>	<u>\$ -</u>	<u>\$ 118,740</u>
Total expenditures	<u>\$ 187,029</u>	<u>\$ 469,602</u>	<u>\$ 656,631</u>
Change in fund balances	\$ 67,121	\$ 7,005	\$ 74,126
Fund balances beginning of year	<u>104,630</u>	<u>153,928</u>	<u>258,558</u>
Fund balances end of year	<u>\$ 171,751</u>	<u>\$ 160,933</u>	<u>\$ 332,684</u>

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND. STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2014

ACCOUNT:	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intrafund Transfers	Balance End of Year
Interest income	\$ 8,562	\$ 2,624	\$ 2,420	\$ 1,594	\$ 10,360
Middle school	-	520	53	67	534
Athletics	14,591	179,457	179,453	7,803	22,398
Birdie fest project	3,874	10,750	10,376	-	4,248
Robotics club	127	80	1,714	1,651	144
Superintendents office	3,366	1,767	3,046	307	2,394
Preschool	56	-	8	-	48
Spanish club	2,359	-	167	-	2,192
Soundsational	23,008	35,559	36,565	(449)	21,553
School nurse	539	28	191	146	522
Quiz Bowl	307	208	254	93	354
National Honor Society	355	861	1,098	431	549
Cheerleaders	-	13,517	12,188	(174)	1,155
Drill team	-	12,457	9,961	(517)	1,979
Special education	262	-	100	-	162
Math club	794	-	491	434	737
Tag club	482	-	253	145	374
FCCLA	3,306	2,316	4,223	-	1,399
Band activities	2,935	1,450	2,174	33	2,244
Vocal music	298	1,186	669	-	815
Music trip	5,000	38,665	42,091	4,635	6,209
Music fund raiser	6,021	20,635	22,521	-	4,135
Musical	823	1,067	1,329	-	561
Elementary music project	20	-	-	-	20
2016 class fund	200	-	-	884	1,084
2015 class fund	607	16,266	13,199	1,678	5,352
Yearbook	7,204	19,673	20,450	(35)	6,392
High school student council	1,420	3,649	3,860	324	1,533
Middle school student council	547	1,627	1,918	-	256
Elementary student council	923	1,020	916	383	1,410
Elementary miscellaneous	385	1,129	1,420	545	639
2014 class fund	4,938	-	3,260	(1,678)	-
Wings	1,492	-	1,140	-	352
Sixth grade trip	18	1,421	979	-	460
Concession stand	20,166	51,819	34,326	(16,199)	21,460
Soundwaves	612	3,078	2,424	-	1,266
Blackhawk shop	4,597	4,316	2,808	2	6,107
School cents fund	2,532	103	1,621	(139)	875
Music trip student	4,635	-	-	(4,635)	-
Wrestling cheerleaders	33	1,044	972	647	752
Fourth grade project	391	-	195	-	196
Second grade activity	257	-	95	-	162
First grade reading/math	1,322	-	1,667	867	522
Book fair	2,524	4,789	4,180	-	3,133
Play	1,279	-	370	-	909
Global days of service	2,310	1,467	-	-	3,777
Kindergarten project	163	-	58	-	105
Hinton School projects	14,092	23,260	21,526	(3,400)	12,426
Transitional kindergarten	493	-	66	-	427
English co-curricular	488	-	-	-	488
7/8 Language Arts	-	-	-	1,054	1,054
Fifth grade project	151	-	91	-	60
Reading recovery	441	20	365	-	96
D.E.C.A.	1,068	10,602	11,478	2,657	2,849
Show choir outfits	-	8,177	8,061	-	116
Playground	167	-	-	-	167
Elementary special education	1,388	-	812	846	1,422
Total	\$ 153,928	\$ 476,607	\$ 469,602	\$ -	\$ 160,933

HINTON COMMUNITY SCHOOL DISTRICTCOMBINING BALANCE SHEET - CAPITAL PROJECT ACCOUNTSJUNE 30, 2014

	<u>Capital Projects</u>		
	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 475,301	\$ 141,335	\$ 616,636
Receivables:			
Property tax:			
Delinquent	-	2,418	2,418
Succeeding year	-	203,390	203,390
Due from other governments	132,180	-	132,180
Due from other funds	<u>7,196</u>	<u>-</u>	<u>7,196</u>
Total assets	<u>\$ 614,677</u>	<u>\$ 347,143</u>	<u>\$ 961,820</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u>\$ -</u>	<u>\$ 203,390</u>	<u>\$ 203,390</u>
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 203,390</u>	<u>\$ 203,390</u>
Fund balances:			
Restricted for:			
School infrastructure	\$ 614,677	\$ -	\$ 614,677
Physical plant and equipment	<u>-</u>	<u>143,753</u>	<u>143,753</u>
Total fund balances	<u>\$ 614,677</u>	<u>\$ 143,753</u>	<u>\$ 758,430</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 614,677</u>	<u>\$ 347,143</u>	<u>\$ 961,820</u>

HINTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - CAPITAL PROJECT ACCOUNTS

YEAR ENDED JUNE 30, 2014

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ -	\$ 195,805	\$ 195,805
Other	2,526	1,542	4,068
State sources	496,287	-	496,287
Total revenues	<u>\$ 498,813</u>	<u>\$ 197,347</u>	<u>\$ 696,160</u>
Expenditures:			
Current:			
Instruction:			
Regular	\$ 268,893	\$ 26,590	\$ 295,483
Support services:			
Operation and maintenance of plant	\$ -	\$ 98,260	\$ 98,260
Transportation	86,298	86,268	172,566
	<u>\$ 86,298</u>	<u>\$ 184,528</u>	<u>\$ 270,826</u>
Other expenditures:			
Facilities acquisition	\$ 41,920	\$ 606	\$ 42,526
Total expenditures	<u>\$ 397,111</u>	<u>\$ 211,724</u>	<u>\$ 608,835</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 101,702</u>	<u>\$ (14,377)</u>	<u>\$ 87,325</u>
Other financing sources (uses):			
Proceeds from note payable	\$ -	\$ 86,268	\$ 86,268
Proceeds from capital lease	268,893	-	268,893
Sale of capital assets	-	1,872	1,872
Operating transfers out	(373,085)	(131,940)	(505,025)
Total other financing uses	<u>\$ (104,192)</u>	<u>\$ (43,800)</u>	<u>\$ (147,992)</u>
Change in fund balances	\$ (2,490)	\$ (58,177)	\$ (60,667)
Fund balances beginning of year	617,167	201,930	819,097
Fund balances end of year	<u>\$ 614,677</u>	<u>\$ 143,753</u>	<u>\$ 758,430</u>

See accompanying independent auditor's report.

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -

AGENCY FUND

YEAR ENDED JUNE 30, 2014

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

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -

ALL GOVERNMENTAL FUNDS

FOR THE LAST TEN YEARS

Modified Accrual Basis

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 2,786,297	\$ 3,466,154	\$ 3,414,726	\$ 3,292,554	\$ 2,459,916	\$ 2,448,614	\$ 2,336,336	\$ 2,367,963	\$ 2,328,933	\$ 2,215,234
Tuition	1,574,114	1,435,910	1,247,281	1,232,408	1,081,888	974,514	856,571	698,814	530,560	506,980
Other	552,896	453,190	492,238	496,690	436,483	429,284	509,357	433,537	398,267	276,356
State sources	3,268,881	2,718,625	2,679,886	2,589,346	2,256,928	2,778,873	2,648,317	2,293,655	2,430,832	2,335,187
Federal sources	114,899	122,672	107,975	305,078	433,983	153,711	123,463	91,404	100,625	46,902
Other financing sources:										
Proceeds from debt issuance, net	355,161	-	66,958	-	9,145,000	650,000	-	-	-	1,186,236
Insurance proceeds	-	-	-	60,857	175,104	-	-	-	-	-
Sale of capital assets	1,872	-	7,601	-	-	-	-	-	950	-
Total	\$ 8,654,120	\$ 8,196,551	\$ 8,016,665	\$ 7,976,933	\$ 15,989,302	\$ 7,434,996	\$ 6,474,044	\$ 5,885,373	\$ 5,790,167	\$ 6,566,895
Expenditures:										
Instruction:										
Regular	\$ 4,309,259	\$ 3,772,630	\$ 3,503,825	\$ 3,328,228	\$ 3,361,698	\$ 3,400,958	\$ 2,921,517	\$ 2,655,474	\$ 2,312,074	\$ 2,128,669
Special	624,900	519,030	562,351	563,673	495,854	491,428	513,038	338,170	317,089	361,222
Other	640,074	645,740	621,979	609,808	610,151	599,331	657,471	505,423	665,312	588,864
Support services:										
Student	214,965	238,347	245,923	241,052	230,526	231,566	235,818	247,095	242,045	236,670
Instructional staff	108,778	149,518	138,914	124,390	117,002	117,902	110,906	102,357	77,879	120,358
Administration	711,357	652,845	583,520	642,442	731,971	719,838	644,820	577,894	537,979	510,388
Operation and maintenance of plant	687,914	413,966	385,800	328,468	362,281	356,499	496,992	444,525	375,315	485,129
Transportation	557,531	375,400	340,863	320,749	335,402	298,073	313,981	240,378	215,100	208,621
Non-instructional programs	-	-	-	-	-	-	-	-	-	849
Other expenditures:										
Facilities acquisition	42,526	331,918	1,589,336	6,454,934	1,776,635	302,535	252,206	386,705	638,992	444,990
Long-term debt:										
Principal	558,702	462,264	449,569	415,000	200,000	120,000	110,000	110,000	255,000	215,000
Interest and fiscal charges	391,456	408,372	421,941	433,133	205,443	33,080	36,590	40,290	49,758	39,828
AEA flow through	210,130	203,100	204,135	225,531	221,262	203,703	190,931	180,565	163,821	170,233
Total	\$ 9,057,592	\$ 8,173,130	\$ 9,048,156	\$ 13,687,408	\$ 8,648,225	\$ 6,874,913	\$ 6,484,270	\$ 5,828,876	\$ 5,850,364	\$ 5,510,821



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

To the Board of Education of
Hinton Community School District

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hinton Community School District (the District) as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 7, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Hinton Community School District's Responses to Findings

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

Purpose of this Report

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

January 7, 2015
Sioux City, Iowa

King Reisch Prosser & Co. LLP

HINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements

None.

Part II: Other Findings Related to Statutory Reporting

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the amended certified budget amounts in the non-instructional programs and other expenditures functions.

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

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

Conclusion - Response accepted.

II-B-14 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-14 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-14 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

(CONTINUED)

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

- II-I-14 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

- II-J-14 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

- II-K-14 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.

- II-L-14 Statewide Sales, Services and Use Tax - No instances of noncompliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	617,167
Revenues/transfers in:			
Sales tax revenues	\$	496,287	
Other local revenues		2,526	
Other financing sources		<u>268,893</u>	<u>767,706</u>
Expenditures/transfers out:			
Transfers to debt service fund	\$	373,085	
Furniture and equipment		396,091	
Other		<u>1,020</u>	<u>770,196</u>
Ending balance		\$	<u><u>614,677</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.