

HUMBOLDT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Humboldt Community School District

Officials

(Before September 2013 Election)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Trina Carda	President	2013
Rick Pedersen	Vice President	2013
Randy Hildreth	Board Member	2013
Brody Clark	Board Member	2015
Kyle Kluender	Board Member	2015

(After September 2013 Election)

Randy Hildreth	President	2017
Brody Clark	Vice President	2015
Suzanne Newton	Board Member	2017
Janell Smith	Board Member	2017
Kyle Kluender	Board Member	2015

School Officials

Greg Darling	Superintendent	2014
Rhiannon Lange	District Secretary	2014
Annie Rathke	District Treasurer	2014
Ahlers & Cooney, P.C.	Attorney	2014



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Humboldt 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 Humboldt Community School District, Humboldt, 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 listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Humboldt Community School 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.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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.

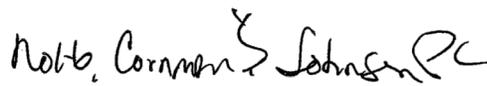
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Humboldt Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statement. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 February 17, 2015 on our consideration of Humboldt Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Humboldt Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 17, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,995,938 in fiscal year 2013 to \$13,673,963 in fiscal year 2014, while General Fund expenditures increased from \$13,447,093 in fiscal year 2013 to \$13,840,639 in fiscal year 2014. This resulted in a decrease in the District's General Fund balance from \$1,581,653 at June 30, 2013 to a balance of \$1,414,977 at June 30, 2014, a 10.54% decrease from the prior year.
- The increase in General Fund revenues was primarily attributable to increases in local and state sources in fiscal year 2014. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

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

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

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

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

Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

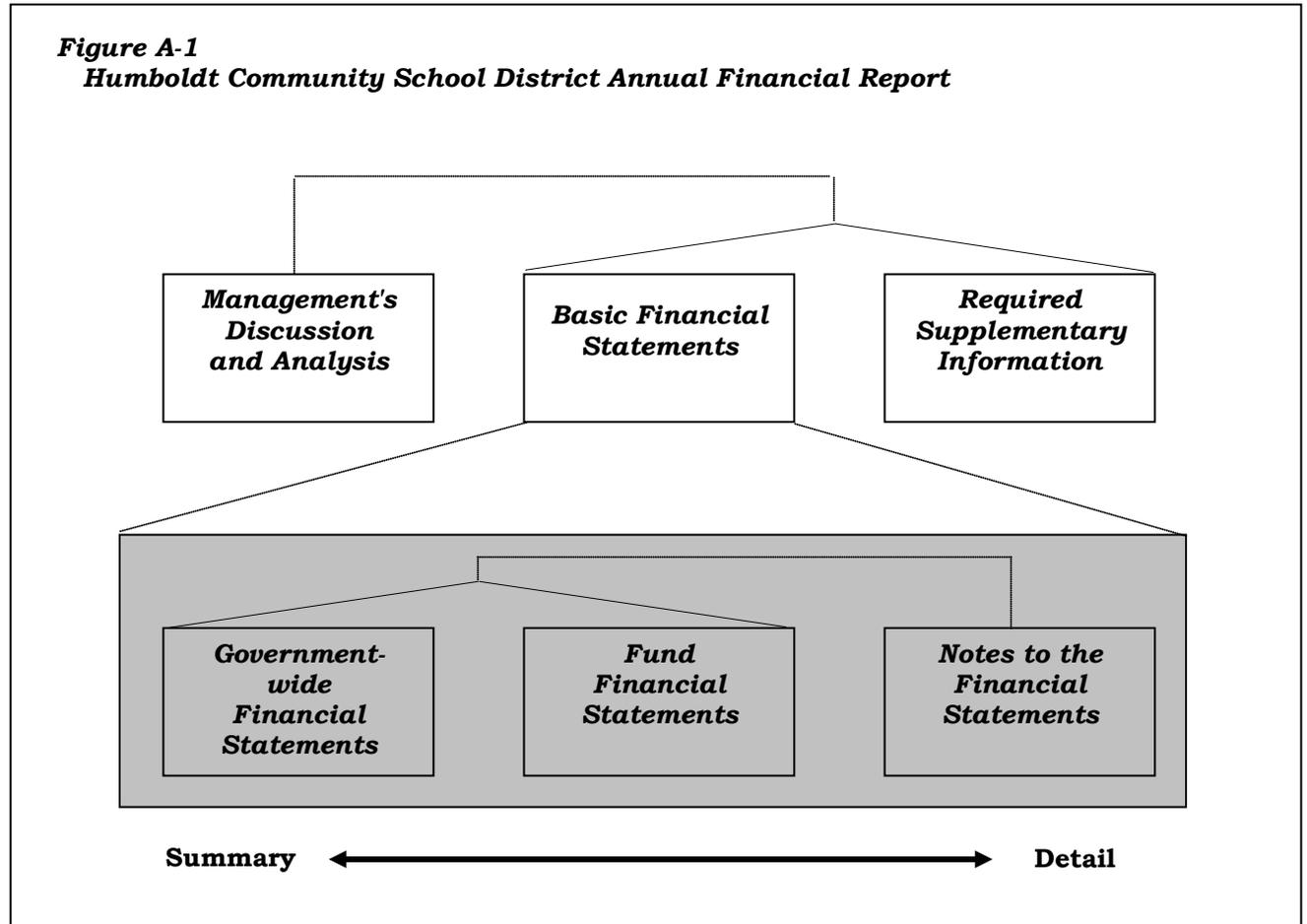


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private Purpose Trust 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 that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 9,498,757	9,663,479	354,059	243,484	9,852,816	9,906,963	-0.55%
Capital assets	13,467,586	14,473,521	31,974	38,912	13,499,560	14,512,433	-6.98%
Total assets	22,966,343	24,137,000	386,033	282,396	23,352,376	24,419,396	-4.37%
Long-term obligations	9,673,238	10,124,720	4,547	3,782	9,677,785	10,128,502	-4.45%
Other liabilities	430,435	503,245	1,749	233	432,184	503,478	-14.16%
Total liabilities	10,103,673	10,627,965	6,296	4,015	10,109,969	10,631,980	-4.91%
Deferred inflows of resources	4,981,008	4,734,450	-	-	4,981,008	4,734,450	5.21%
Net position:							
Net investment in capital assets	4,587,586	5,008,521	31,974	38,912	4,619,560	5,047,433	-8.48%
Restricted	2,336,236	2,553,872	-	-	2,336,236	2,553,872	-8.52%
Unrestricted	957,840	1,212,192	347,763	239,469	1,305,603	1,451,661	-10.06%
Total net position	\$ 7,881,662	8,774,585	379,737	278,381	8,261,399	9,052,966	-8.74%

The District's combined net position decreased by 8.74%, or \$791,567, from the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$217,636, or 8.52% over the prior year. The decrease was a result of the decrease in the Capital Projects accounts.

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 \$146,058, or 10.06%. This decrease in unrestricted net position was primarily a result of the decrease in the General fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to June 30, 2013.

Figure A-4 Changes of Net Position							
	Governmental Activities		Business Type Activities		Total		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 1,879,602	1,722,040	301,192	276,695	2,180,794	1,998,735	9.11%
Operating grants, contributions and restricted interest	1,478,748	1,393,747	370,677	356,451	1,849,425	1,750,198	5.67%
General revenues:							
Property tax	4,732,094	4,625,344	-	-	4,732,094	4,625,344	2.31%
Income surtax	706,759	562,854	-	-	706,759	562,854	25.57%
Statewide sales, services and use tax	1,115,092	1,093,668	-	-	1,115,092	1,093,668	1.96%
Unrestricted state grants	5,739,491	5,586,844	-	-	5,739,491	5,586,844	2.73%
Unrestricted investment earnings	5,568	8,876	-	-	5,568	8,876	-37.27%
Other	14,495	195,842	6,512	3,840	21,007	199,682	-89.48%
Total revenues	15,671,849	15,189,215	678,381	636,986	16,350,230	15,826,201	3.31%
Program expenses:							
Governmental activities:							
Instructional	10,078,825	9,592,329	-	-	10,078,825	9,592,329	5.07%
Support services	4,768,261	4,763,543	7,116	7,220	4,775,377	4,770,763	0.10%
Non-instructional programs	1,086	-	569,909	515,480	570,995	515,480	10.77%
Other expenses	1,716,600	1,006,398	-	-	1,716,600	1,006,398	70.57%
Total expenses	16,564,772	15,362,270	577,025	522,700	17,141,797	15,884,970	7.91%
Excess(Deficiency) of revenues over(under) expenditures	(892,923)	(173,055)	101,356	114,286	(791,567)	(58,769)	-4.60%
Transfers	-	(11,419)	-	11,419	-	-	0.00%
Change in net position	(892,923)	(184,474)	101,356	125,705	(791,567)	(58,769)	-4.60%
Beginning net position, as restated	8,774,585	8,959,059	278,381	152,676	9,052,966	9,111,735	-0.64%
Ending net position	\$ 7,881,662	8,774,585	379,737	278,381	8,261,399	9,052,966	-8.74%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 78.44% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.04% of the revenue from business type activities.

The District's total revenues were approximately \$16.35 million of which \$15.67 million was for governmental activities and \$0.68 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.31% increase in revenues and a 7.91% increase in expenses. The increase in expenses related primarily to an increase in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$15,671,849 and expenses were \$16,564,772.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 10,078,825	9,592,329	5.07%	7,319,085	6,964,548	5.09%
Support services	4,768,261	4,763,543	0.10%	4,648,477	4,737,589	-1.88%
Non-instructional programs	1,086	-	100.00%	1,086	-	100.00%
Other expenses	1,716,600	1,006,398	70.57%	1,237,774	544,346	127.39%
Totals	\$ 16,564,772	15,362,270	7.83%	13,206,422	12,246,483	7.84%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,879,602.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,478,748.
- The net cost of governmental activities was financed with \$4,732,094 in property tax, \$706,759 in income surtax, \$1,115,092 in statewide sales, services and use tax, \$5,739,491 in unrestricted state grants, \$5,568 in unrestricted investment earnings, and \$14,495 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$678,381 and expenses were \$577,025. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,714,373, below last year's ending fund balances of \$4,072,093. The primary reason for the decrease in combined fund balances in fiscal 2014 is due to the decrease in the General Fund balance.

Governmental Fund Highlights

- General Fund revenues increased from \$12,995,938 in fiscal year 2013 to \$13,673,963 in fiscal year 2014, representing a 5.22% increase. General Fund expenditures increased from \$13,447,093 in fiscal year 2013 to \$13,840,639 in fiscal year 2014, representing a 2.93% increase. The General Fund balance decreased \$166,676.

- The Capital Projects Fund balance decreased from \$1,425,992 in fiscal year 2013 to \$1,310,193 in fiscal year 2014. This decrease can be attributed to a decrease in local source revenues in the Capital Projects: Physical Plant and Equipment Levy Fund.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from a restated balance of \$278,381 at June 30, 2013 to \$379,737 at June 30, 2014, representing an increase of 36.41%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$321,988 more than budgeted revenues, a variance of 2.01%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$13,499,560, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a 6.98% decrease from the prior year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,258,754.

The original cost of the District's capital assets was \$21,837,630. Governmental funds account for \$21,580,218 with the remainder of \$257,412 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$859,908 at June 30, 2014, compared to \$1,137,023 reported at June 30, 2013. This decrease was primarily due to annual depreciation taken during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 49,250	49,250	-	-	49,250	49,250	0.00%
Buildings and improvements	12,091,827	12,888,935	-	-	12,091,827	12,888,935	-6.18%
Land improvements	498,575	437,225	-	-	498,575	437,225	14.03%
Machinery and equipment	827,934	1,098,111	31,974	38,912	859,908	1,137,023	-24.37%
Total	\$ 13,467,586	14,473,521	31,974	38,912	13,499,560	14,512,433	-6.98%

Long-Term Debt

At June 30, 2014, the District had \$9,677,785 in long-term debt outstanding. This represents a decrease of 4.45% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding revenue bonded indebtedness of \$7,950,000 at June 30, 2014 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding capital loan note payable from the Capital Projects: Physical Plant and Equipment Levy of \$930,000 at June 30, 2014.

The District had total outstanding other postemployment benefits payable of \$797,785 at June 30, 2014, \$793,238 of this is attributed to governmental activities and the remaining \$4,547 is attributed to business type activities.

Figure A-7 Outstanding Long-Term Obligations							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenue bonds	\$ 7,950,000	8,310,000	-	-	7,950,000	8,310,000	-4.33%
Capital loan note	930,000	1,155,000	-	-	930,000	1,155,000	-19.48%
Net OPEB liability	793,238	659,720	4,547	3,782	797,785	663,502	20.24%
Totals	\$ 9,673,238	10,124,720	4,547	3,782	9,677,785	10,128,502	-4.45%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Enrollment is primary factor in Districts ability to maintain its educational offerings.
- New middle school drained some of our sources temporarily.
- Adequate allowable growth must be provided by legislature.
- District is expanding sharing programs with Twin Rivers Community School District in instructional and administrative functions.
- Open enrollment-in has increased over the past 5 years.

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 Annie Rathke, District Treasurer, Humboldt Community School District, PO Box 130, Dakota City, Iowa, 50548.



BASIC FINANCIAL STATEMENTS

HUMBOLDT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,840,048	335,074	3,175,122
Receivables:			
Property tax:			
Delinquent	44,589	-	44,589
Succeeding year	4,981,008	-	4,981,008
Income surtax	545,659	-	545,659
Accounts	22,210	232	22,442
Due from other governments	1,065,243	-	1,065,243
Inventories	-	18,753	18,753
Capital assets, net of accumulated depreciation	13,467,586	31,974	13,499,560
TOTAL ASSETS	22,966,343	386,033	23,352,376
LIABILITIES			
Accounts payable	236,026	1,218	237,244
Interest payable	172,718	-	172,718
Advances from grantors	21,691	-	21,691
Unearned revenue	-	531	531
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	370,000	-	370,000
Capital loan note payable	225,000	-	225,000
Portion due after one year:			
Revenue bonds payable	7,580,000	-	7,580,000
Capital loan note payable	705,000	-	705,000
Net OPEB liability	793,238	4,547	797,785
TOTAL LIABILITIES	10,103,673	6,296	10,109,969
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	4,981,008	-	4,981,008
NET POSITION			
Net investment in capital assets	4,587,586	31,974	4,619,560
Restricted for:			
Categorical funding	192,338	-	192,338
Debt service	893,636	-	893,636
Management levy purposes	568,101	-	568,101
Student activities	83,541	-	83,541
School infrastructure	486,301	-	486,301
Physical plant and equipment	112,319	-	112,319
Unrestricted	957,840	347,763	1,305,603
TOTAL NET POSITION	\$ 7,881,662	379,737	8,261,399

SEE NOTES TO FINANCIAL STATEMENTS.

**HUMBOLDT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 6,466,116	1,187,238	85,524	(5,193,354)	-	(5,193,354)
Special	1,663,457	342,362	265,944	(1,055,151)	-	(1,055,151)
Other	1,949,252	269,525	609,147	(1,070,580)	-	(1,070,580)
	<u>10,078,825</u>	<u>1,799,125</u>	<u>960,615</u>	<u>(7,319,085)</u>	<u>-</u>	<u>(7,319,085)</u>
Support services:						
Student	279,494	1,835	-	(277,659)	-	(277,659)
Instructional staff	956,381	-	7,800	(948,581)	-	(948,581)
Administration	1,442,869	78,642	-	(1,364,227)	-	(1,364,227)
Operation and maintenance of plant	1,482,245	-	-	(1,482,245)	-	(1,482,245)
Transportation	606,186	-	30,421	(575,765)	-	(575,765)
	<u>4,767,175</u>	<u>80,477</u>	<u>38,221</u>	<u>(4,648,477)</u>	<u>-</u>	<u>(4,648,477)</u>
Non-instructional programs:						
Food service operations	1,086	-	-	(1,086)	-	(1,086)
Long-term debt interest	365,175	-	-	(365,175)	-	(365,175)
Other expenses:						
AEA flowthrough	479,912	-	479,912	-	-	-
Depreciation(unallocated)*	872,599	-	-	(872,599)	-	(872,599)
	<u>1,352,511</u>	<u>-</u>	<u>479,912</u>	<u>(872,599)</u>	<u>-</u>	<u>(872,599)</u>
Total governmental activities	16,564,772	1,879,602	1,478,748	(13,206,422)	-	(13,206,422)
Business type activities:						
Support services:						
Operation and maintenance of plant	7,116	-	-	-	(7,116)	(7,116)
Non-instructional programs:						
Food service operations	569,909	301,192	370,677	-	101,960	101,960
Total business type activities	<u>577,025</u>	<u>301,192</u>	<u>370,677</u>	<u>-</u>	<u>94,844</u>	<u>94,844</u>
Total	<u>\$ 17,141,797</u>	<u>2,180,794</u>	<u>1,849,425</u>	<u>(13,206,422)</u>	<u>94,844</u>	<u>(13,111,578)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 4,322,700	-	4,322,700
Capital outlay				409,394	-	409,394
Income surtax				706,759	-	706,759
Statewide sales, services and use tax				1,115,092	-	1,115,092
Unrestricted state grants				5,739,491	-	5,739,491
Unrestricted investment earnings				5,568	-	5,568
Other general revenues				14,495	6,512	21,007
Total general revenues				<u>12,313,499</u>	<u>6,512</u>	<u>12,320,011</u>
Change in net position				(892,923)	101,356	(791,567)
Net position beginning of year, as restated				<u>8,774,585</u>	<u>278,381</u>	<u>9,052,966</u>
Net position end of year				<u>\$ 7,881,662</u>	<u>379,737</u>	<u>8,261,399</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 1,007,733	843,821	988,494	2,840,048
Receivables:				
Property tax:				
Delinquent	40,181	3,699	709	44,589
Succeeding year	4,441,979	414,028	125,001	4,981,008
Income surtax	545,659	-	-	545,659
Accounts	22,210	-	-	22,210
Due from other governments	602,570	462,673	-	1,065,243
TOTAL ASSETS	\$ 6,660,332	1,724,221	1,114,204	9,498,757
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 236,026	-	-	236,026
Advances from grantors	21,691	-	-	21,691
Total liabilities	257,717	-	-	257,717
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	4,441,979	414,028	125,001	4,981,008
Income surtax	545,659	-	-	545,659
Total deferred inflows of resources	4,987,638	414,028	125,001	5,526,667
Fund balances:				
Restricted for:				
Categorical funding	192,338	-	-	192,338
Debt service	-	711,573	354,781	1,066,354
Management levy purposes	-	-	568,101	568,101
Student activities	-	-	83,541	83,541
School infrastructure	-	486,301	-	486,301
Physical plant and equipment	-	112,319	-	112,319
Unassigned:				
General fund	1,222,639	-	-	1,222,639
Student activities	-	-	(17,220)	(17,220)
Total fund balances	1,414,977	1,310,193	989,203	3,714,373
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,660,332	1,724,221	1,114,204	9,498,757

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$	3,714,373
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		13,467,586
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(172,718)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		545,659
Long-term liabilities, including revenue bonds payable, capital loan note payable and other post employment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(9,673,238)</u>
Net position of governmental activities(page 18)	\$	<u><u>7,881,662</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 4,940,748	409,394	74,961	5,425,103
Tuition	1,386,623	-	-	1,386,623
Other	273,573	593	384,096	658,262
State sources	6,532,965	1,115,092	-	7,648,057
Federal sources	540,054	-	-	540,054
Total revenues	<u>13,673,963</u>	<u>1,525,079</u>	<u>459,057</u>	<u>15,658,099</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,271,735	-	12,954	6,284,689
Special	1,646,056	-	4,080	1,650,136
Other	1,536,954	-	364,533	1,901,487
	<u>9,454,745</u>	<u>-</u>	<u>381,567</u>	<u>9,836,312</u>
Support services:				
Student	274,526	-	-	274,526
Instructional staff	654,568	258,936	-	913,504
Administration	1,337,992	2,000	71,530	1,411,522
Operation and maintenance of plant	1,178,960	-	65,811	1,244,771
Transportation	459,936	94,783	14,221	568,940
	<u>3,905,982</u>	<u>355,719</u>	<u>151,562</u>	<u>4,413,263</u>
Non-instructional programs:				
Food service operations	-	-	1,086	1,086
Capital outlay	-	329,571	-	329,571
Long-term debt:				
Principal	-	-	585,000	585,000
Interest and fiscal charges	-	-	371,437	371,437
	<u>-</u>	<u>-</u>	<u>956,437</u>	<u>956,437</u>
Other expenditures:				
AEA flowthrough	479,912	-	-	479,912
Total expenditures	<u>13,840,639</u>	<u>685,290</u>	<u>1,490,652</u>	<u>16,016,581</u>
Excess(Deficiency) of revenues over(under) expenditures	(166,676)	839,789	(1,031,595)	(358,482)
Other financing sources(uses):				
Transfer in	-	-	955,588	955,588
Transfer out	-	(955,588)	-	(955,588)
Total other financing sources(uses)	<u>-</u>	<u>(955,588)</u>	<u>955,588</u>	<u>-</u>
Change in fund balances	(166,676)	(115,799)	(76,007)	(358,482)
Fund balances beginning of year	<u>1,581,653</u>	<u>1,425,992</u>	<u>1,065,210</u>	<u>4,072,855</u>
Fund balances end of year	<u>\$ 1,414,977</u>	<u>1,310,193</u>	<u>989,203</u>	<u>3,714,373</u>

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014

Change in fund balances - total governmental funds(page 22) \$ (358,482)

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

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

Capital outlay	\$ 245,881	
Depreciation expense	<u>(1,251,816)</u>	(1,005,935)

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. 585,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 6,262

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 13,750

Other postemployment benefit 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. (133,518)

Change in net position of governmental activities(page 19) \$ (892,923)

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2014

	<u>Enterprise:</u> School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 335,074
Accounts receivable	232
Inventories	18,753
Total current assets	<u>354,059</u>
Non-current assets:	
Capital assets, net of accumulated depreciation	<u>31,974</u>
TOTAL ASSETS	<u>386,033</u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,218
Unearned revenue	531
Total current liabilities	<u>1,749</u>
Long-term liabilities:	
Net OPEB liability	<u>4,547</u>
TOTAL LIABILITIES	<u>6,296</u>
NET POSITION	
Invested in capital assets	31,974
Unrestricted	347,763
TOTAL NET POSITION	<u>\$ 379,737</u>

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2014

	Enterprise: School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 301,192
Miscellaneous	6,512
	307,704
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Salaries	4,827
Benefits	805
Services	1,484
Total support services	7,116
Non-instructional programs:	
Salaries	188,066
Benefits	36,946
Services	1,529
Supplies	334,203
Depreciation	6,938
Other	2,227
Total non-instructional programs	569,909
TOTAL OPERATING EXPENSES	577,025
OPERATING LOSS	(269,321)
NON-OPERATING REVENUES:	
State sources	6,094
Federal sources	364,583
TOTAL NON-OPERATING REVENUES	370,677
Change in net position	101,356
Net position beginning of year, as restated	278,381
Net position end of year	\$ 379,737

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise: School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 303,257
Cash received from miscellaneous sources	6,512
Cash payments to employees for services	(229,879)
Cash payments to suppliers for goods or services	(297,772)
Net cash used in operating activities	(217,882)
Cash flows from non-capital financing activities:	
State grants received	6,094
Federal grants received	321,112
Net cash provided by non-capital financing activities	327,206
Net increase in cash and cash equivalents	109,324
Cash and cash equivalents at beginning of year	225,750
Cash and cash equivalents at end of year	\$ 335,074
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (269,321)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	43,471
Depreciation	6,938
Increase in inventories	(2,785)
Decrease in accounts receivable	1,534
Increase in accounts payable	985
Increase in unearned revenue	531
Increase in other postemployment benefits	765
Net cash used in operating activities	\$ (217,882)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$43,471.

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Private Purpose Trust</u>
	<u>Scholarship Fund</u>
ASSETS	
Cash and pooled investments	\$ 2,811,275
Accounts receivable	529
TOTAL ASSETS	<u>2,811,804</u>
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for scholarships	<u>\$ 2,811,804</u>

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust
	Scholarship Fund
Additions:	
Local sources:	
Gifts and contributions	\$ 50,895
Interest income	147,227
Total additions	198,122
Deductions:	
Instruction:	
Scholarships awarded	25,575
Supplies	234
Other	50
Total deductions	25,859
Change in net position	172,263
Net position beginning of year	2,639,541
Net position end of year	\$ 2,811,804

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The statement of net position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in three categories:

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District also reports the following nonmajor proprietary funds:

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is a nonmajor fund used to account for the food service operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general 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 nonoperating 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 is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

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

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

Property Taxes - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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 - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

Capital Assets - Capital assets, which include property, machinery 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings and improvements	5,000
Improvements other than buildings	5,000
Intangibles	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings and improvements	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2014, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2014.

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred 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.

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in the instruction functional area exceeded the amount budgeted.

Note 2. Deposits 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.

Investments in common stock are stated at the approximate fair value based on the closing price for the stock on June 30, 2014. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rates. At June 30, 2014, the District owned Vanguard stock at a fair value of \$954,407. The District also had an annuity with Protective Life Insurance Company with a value of \$6,995.

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Note 3. 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: Physical Plant and Equipment Levy	\$ 245,215
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	710,373
Total		<u>\$ 955,588</u>

The transfer from the Capital Projects: Physical Plant and Equipment Levy to the Debt Service Fund was for principal and interest payments on the District's capital loan note indebtedness.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax to the Debt Service Fund was for principal and interest payments on the District's revenue bond indebtedness.

Note 4. 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	\$ 49,250	-	-	49,250
Total capital assets not being depreciated	<u>49,250</u>	<u>-</u>	<u>-</u>	<u>49,250</u>
Capital assets being depreciated:				
Buildings and improvements	16,345,490	24,425	72,136	16,297,779
Land improvements	1,374,925	112,416	13,098	1,474,243
Machinery and equipment	3,649,906	109,040	-	3,758,946
Total capital assets being depreciated	<u>21,370,321</u>	<u>245,881</u>	<u>85,234</u>	<u>21,530,968</u>
Less accumulated depreciation for:				
Buildings and improvements	3,456,555	821,533	72,136	4,205,952
Land improvements	937,700	51,066	13,098	975,668
Machinery and equipment	2,551,795	379,217	-	2,931,012
Total accumulated depreciation	<u>6,946,050</u>	<u>1,251,816</u>	<u>85,234</u>	<u>8,112,632</u>
Total capital assets being depreciated, net	<u>14,424,271</u>	<u>(1,005,935)</u>	<u>-</u>	<u>13,418,336</u>
Governmental activities capital assets, net	<u>\$ 14,473,521</u>	<u>(1,005,935)</u>	<u>-</u>	<u>13,467,586</u>
	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business type activities:				
Machinery and equipment	\$ 257,412	-	-	257,412
Less accumulated depreciation	218,500	6,938	-	225,438
Business type activities capital assets, net	<u>\$ 38,912</u>	<u>(6,938)</u>	<u>-</u>	<u>31,974</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 102,388
Other	45,506

Support services:

Instructional	37,922
Administration	22,753
Operation and maintenance of plant	37,922
Transportation	132,726

Unallocated depreciation

379,217

872,599

Total governmental activities depreciation expense

\$ 1,251,816

Business Type activities:

Food services operations	<u>\$ 6,938</u>
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Note 5. Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue Bonds	\$ 8,310,000	-	360,000	7,950,000	370,000
Capital Loan Note	1,155,000	-	225,000	930,000	225,000
Net OPEB Liability	659,720	133,518	-	793,238	-
Total	<u>\$ 10,124,720</u>	<u>133,518</u>	<u>585,000</u>	<u>9,673,238</u>	<u>595,000</u>
Business type Activities:					
Net OPEB Liability	\$ 3,782	765	-	4,547	-

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of December, 23 2009				
	Interest Rate	Principal	Interest	Total	
2015	3.50 %	\$ 370,000	339,522	709,522	
2016	3.50	385,000	326,572	711,572	
2017	3.50	395,000	313,097	708,097	
2018	3.75	410,000	299,272	709,272	
2019	3.90	420,000	283,897	703,897	
2020-2024	3.90-4.30	2,380,000	1,152,848	3,532,848	
2025-2029	4.40-4.65	2,925,000	594,010	3,519,010	
2030	5.00	665,000	33,250	698,250	
Total		<u>\$ 7,950,000</u>	<u>3,342,468</u>	<u>11,292,468</u>	

The District has pledged future statewide sales, services and use tax revenues to repay the \$9,125,000 bonds issued December 23, 2009. 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 2030. 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 64 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$11,292,468. For the current year, \$351,222 of interest and \$360,000 of principal was paid on the bonds and total statewide sales and services tax revenues were \$1,115,092.

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

- a) \$711,573 of the proceeds from the issuance of the 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.
- 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.

Capital Loan Note Payable

In April 2011, the District issued \$1,600,000 of Capital Loan Notes to complete the construction of a middle school building. Details of the District’s June 30, 2014 capital loan note indebtedness paid from the Capital Projects: Physical Plant and Equipment Levy are as follows:

Year Ending June 30,	Capital Loan Note Issue of May 1, 2011				
	Interest Rate	Principal	Interest	Total	
2015	1.45 %	\$ 225,000	17,740	242,740	
2016	1.80	230,000	14,477	244,477	
2017	2.05	235,000	10,337	245,337	
2018	2.30	240,000	5,520	245,520	
Total		<u>\$ 930,000</u>	<u>48,074</u>	<u>978,074</u>	

Note 6. 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 115 active and 29 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 189,336
Interest on net OPEB obligation	16,588
Adjustment to annual required contribution	<u>(34,585)</u>
Annual OPEB cost	171,339
Contributions made	<u>(37,056)</u>
Increase in net OPEB obligation	134,283
Net OPEB obligation beginning of year	<u>663,502</u>
Net OPEB obligation end of year	<u><u>\$ 797,785</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.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 417,118	14.1%	\$ 519,302
2013	189,936	24.1%	663,502
2014	171,339	21.6%	797,785

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$968,312, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$968,312. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,697,349, and the ratio of the UAAL to covered payroll was 14.5%. 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, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2011 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from sample rates varying by age and employee type. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

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% of their annual salary and the District is required to contribute 8.93% of annual covered. Contribution requirements are established by State statute. The District’s contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$740,723, \$676,833 and \$595,401 respectively, equal to the required contributions for each year.

Note 8. Risk Management

Humboldt Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$479,912 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 10. Categorical Funding

The District's ending restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Teacher salary supplement	\$ 471
Home school assistance program	4,418
Dropout and dropout prevention	82,084
Talented and gifted	49,466
Beginning teacher mentoring and induction program	808
Professional development for model core curriculum	5,135
Successful progression for early readers	18,037
Four-year old preschool state aid	31,919
Total restricted for cateforical funding	<u>\$ 192,338</u>

Note 11. Deficit Unassigned Balance

During the year ended June 30, 2014 the District had one negative account resulting in a deficit unassigned balance of \$17,220 in the Student Activity Fund.

Note 12. Budget Over Expenditure

During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instruction functional area.

Note 13. 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.

Note 14. Accounting Restatement

The following beginning balances have been restated to properly reflect the capital assets and accumulated depreciation due to changes made to the business type activities capital assets previously being incorrectly deleted from the District's capital asset listing.

	Balance Beginning of Year	Increases	Decreases	Restated Beginning Balance
Business type activities:				
Machinery and equipment	\$ 136,724	120,688	-	257,412
Less accumulated depreciation	126,257	92,243	-	218,500
Business type activities capital assets, net	<u>\$ 10,467</u>	<u>28,445</u>	-	<u>38,912</u>

As a result of the capital asset restatement, the total net position reported at the beginning of the year is summarized as follows:

Balances June 30, 2013, as previously reported	<u>\$ 249,936</u>
Net capital asset restatement	28,445
Restated balance July 1, 2013	<u>\$ 278,381</u>

**HUMBOLDT
COMMUNITY**



SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 7,469,988	307,704	7,777,692	8,319,521	8,319,521	(541,829)
State sources	7,648,057	6,094	7,654,151	7,004,971	7,004,971	649,180
Federal sources	540,054	364,583	904,637	690,000	690,000	214,637
Total revenues	<u>15,658,099</u>	<u>678,381</u>	<u>16,336,480</u>	<u>16,014,492</u>	<u>16,014,492</u>	<u>321,988</u>
Expenditures/expenses:						
Instruction	9,836,312	-	9,836,312	9,530,000	9,530,000	(306,312)
Support services	4,413,263	7,116	4,420,379	5,192,811	5,192,811	772,432
Non-instructional programs	1,086	569,909	570,995	735,000	735,000	164,005
Other expenditures/expenses	1,765,920	-	1,765,920	2,352,375	2,352,375	586,455
Total expenditures/expenses	<u>16,016,581</u>	<u>577,025</u>	<u>16,593,606</u>	<u>17,810,186</u>	<u>17,810,186</u>	<u>1,216,580</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(358,482)	101,356	(257,126)	(1,795,694)	(1,795,694)	1,538,568
Balances beginning of year, as restated	<u>4,072,855</u>	<u>278,381</u>	<u>4,351,236</u>	<u>3,199,182</u>	<u>3,199,182</u>	<u>1,152,054</u>
Balances end of year	<u>\$ 3,714,373</u>	<u>379,737</u>	<u>4,094,110</u>	<u>1,403,488</u>	<u>1,403,488</u>	<u>2,690,622</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUMBOLDT 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 Private Purpose Trust. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as function, 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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2014, expenditures in the instruction functional area exceeded the amount budgeted.

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 928,000	\$ 928,000	0.0%	\$ 6,713,000	13.8%
2010	July 1, 2008	-	928,000	928,000	0.0%	6,990,000	13.3%
2011	July 1, 2008	-	928,000	928,000	0.0%	7,270,000	12.8%
2012	July 1, 2011	-	1,112,642	1,112,642	0.0%	7,650,000	14.5%
2013	July 1, 2011	-	1,052,932	1,052,932	0.0%	6,369,000	16.5%
2014	July 1, 2011	-	968,312	968,312	0.0%	6,697,349	14.5%

See Note 6 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue			Debt Service	Total Nonmajor Funds
	Management Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 567,392	66,321	633,713	354,781	988,494
Receivables:					
Property tax:					
Delinquent	709	-	709	-	709
Succeeding year	125,001	-	125,001	-	125,001
TOTAL ASSETS	\$ 693,102	66,321	759,423	354,781	1,114,204
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	\$ 125,001	-	125,001	-	125,001
Fund balances:					
Restricted for:					
Debt service	-	-	-	354,781	354,781
Management levy purposes	568,101	-	568,101	-	568,101
Student activities	-	83,541	83,541	-	83,541
Unassigned:					
Student activities	-	(17,220)	(17,220)	-	(17,220)
Total fund balances	568,101	66,321	634,422	354,781	989,203
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 693,102	66,321	759,423	354,781	1,114,204

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue			Debt Service	Total Nonmajor Funds
	Management Levy	Student Activity	Total		
REVENUES:					
Local sources:					
Local tax	\$ 74,961	-	74,961	-	74,961
Other	7,721	376,375	384,096	-	384,096
Total revenues	82,682	376,375	459,057	-	459,057
EXPENDITURES:					
Current:					
Instruction:					
Regular	12,954	-	12,954	-	12,954
Special	4,080	-	4,080	-	4,080
Other	-	364,533	364,533	-	364,533
	17,034	364,533	381,567	-	381,567
Support services:					
Administration	71,530	-	71,530	-	71,530
Operation and maintenance of plant	65,811	-	65,811	-	65,811
Transportation	14,221	-	14,221	-	14,221
	151,562	-	151,562	-	151,562
Non-instructional programs:					
Food service operations	1,086	-	1,086	-	1,086
Long-term Debt:					
Principal	-	-	-	585,000	585,000
Interest and fiscal charges	-	-	-	371,437	371,437
	-	-	-	956,437	956,437
Total expenditures	169,682	364,533	534,215	956,437	1,490,652
Excess(Deficiency) of revenues over(under) expenditures	(87,000)	11,842	(75,158)	(956,437)	(1,031,595)
OTHER FINANCING SOURCES:					
Transfer in	-	-	-	955,588	955,588
Change in fund balances	(87,000)	11,842	(75,158)	(849)	(76,007)
Fund balances beginning of year	655,101	54,479	709,580	355,630	1,065,210
Fund balances end of year	\$ 568,101	66,321	634,422	354,781	989,203

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 735,201	108,620	843,821
Receivables:			
Property tax:			
Delinquent	-	3,699	3,699
Succeeding year	-	414,028	414,028
Due from other governments	462,673	-	462,673
TOTAL ASSETS	\$ 1,197,874	526,347	1,724,221
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Deferred revenue:			
Unavailable revenues:			
Succeeding year property tax	-	414,028	414,028
Fund balances:			
Restricted for:			
Debt service	711,573	-	711,573
School infrastructure	486,301	-	486,301
Physical plant and equipment levy	-	112,319	112,319
Total fund balances	1,197,874	112,319	1,310,193
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,197,874	526,347	1,724,221

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	409,394	409,394
Other	305	288	593
State sources	1,115,092	-	1,115,092
Total revenues	<u>1,115,397</u>	<u>409,682</u>	<u>1,525,079</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	184,373	74,563	258,936
Administration	1,500	500	2,000
Transportation	-	94,783	94,783
Capital outlay	244,480	85,091	329,571
Total expenditures	<u>430,353</u>	<u>254,937</u>	<u>685,290</u>
Excess of revenues over expenditures	685,044	154,745	839,789
OTHER FINANCING USES:			
Transfer out	<u>(710,373)</u>	<u>(245,215)</u>	<u>(955,588)</u>
Change in fund balances	(25,329)	(90,470)	(115,799)
Fund balances beginning of year	<u>1,223,203</u>	<u>202,789</u>	<u>1,425,992</u>
Fund balances end of year	<u>\$ 1,197,874</u>	<u>112,319</u>	<u>1,310,193</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Cross Country	\$ -	4,076	2,797	1,279
Boys Basketball	472	26,120	24,143	2,449
Football	574	31,588	28,603	3,559
Baseball	-	6,651	5,467	1,184
Boys Track	501	2,086	2,203	384
Boys Golf	-	1,425	1,425	-
Wrestling	389	56,797	55,427	1,759
Girls Basketball	447	8,880	8,661	666
Volleyball	-	8,625	7,533	1,092
Softball	23	25,930	24,097	1,856
Girls Track	-	596	596	-
Girls Golf	-	1,266	1,266	-
Soccer	-	14,336	14,336	-
Olympics	82	-	-	82
Spanish Club	519	908	717	710
Drama	9,272	7,149	7,246	9,175
Cheerleaders	-	8,305	8,305	-
Graphic Arts	573	-	-	573
Student Senate	5,671	5,441	6,722	4,390
Student Senate Special	250	-	-	250
FFA	13,944	19,717	20,210	13,451
Drill Team	3,218	16,986	16,250	3,954
Class of 2013	1,112	-	1,112	-
Class of 2014	831	76	907	-
Prom	1,984	7,194	6,210	2,968
High School	1,584	1,624	2,403	805
Middle School	1,369	5,259	5,521	1,107
Taft	1,801	5,248	5,075	1,974
Mease	-	1,391	1,281	110
Secondary Academic Boosters	609	1,175	1,784	-
High School Art	24	-	-	24
Elementary Special	1,389	-	631	758
Elementary Academic Boosters	1,669	-	-	1,669
Elementary Yearbook	-	2,292	2,043	249
Vocal HS	1,281	5,191	6,083	389
Vocal MS	3,380	1,380	33	4,727
Vocal Elementary	1,841	1,050	498	2,393
Band HS	-	3,184	3,184	-
Band MS	1,935	2,722	2,804	1,853
Band Elementary	1,418	2,660	1,466	2,612
Band Resale HS	-	2,337	2,337	-
Band Uniforms	583	1,077	739	921
Nokomis Reserve	5,630	1,806	-	7,436
Nokomis 2012	738	-	738	-
Nokomis 2013	5,159	650	5,809	-
Nokomis 2014	-	33,175	27,709	5,466
Concessions	10	-	-	10
Memorials - MS	53	-	-	53
Concessions - MS	1,073	-	-	1,073
General Athletics	(17,220)	47,540	47,540	(17,220)
Track Project	291	-	291	-
Fitness Trail	-	2,000	2,000	-
Smoothies	-	351	220	131
Checking Interest	-	111	111	-
TOTAL	\$ 54,479	376,375	364,533	66,321

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN PRIVATE-PURPOSE TRUST FUND, SCHOLARSHIP ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Clyde R. & Nira Mease Scholarship	\$ 6,282	22	250	6,054
Dan Rusher Memorial	7,413	59	-	7,472
Bertha Peterson Scholarship	7,703	25	-	7,728
Michael H. Baker Scholarship	9,565	286	250	9,601
Harry Reasoner Educational Trust	3,990	16	175	3,831
Joe & Edith Reasoner Educational Trust	11,780	6,796	250	18,326
Cramlet/Schnoor Scholarship	79,517	288	1,000	78,805
Esther Hansen Scholarship	10,502	40	-	10,542
Anderson Scholarship	10,748	40	-	10,788
Klasse Scholarship	20,287	70	300	20,057
Griffin Scholarship	844,293	181,321	15,729	1,009,885
Castle Theater Scholarship	9,549	36	150	9,435
Howard G. & Ruth A. Louthen Trust	1,606,172	5,895	3,555	1,608,512
Bette L. Newton Scholarship	7,449	28	-	7,477
Rogness Scholarship	4,291	-	1,000	3,291
Bernice Smith Scholarship	-	1,200	1,200	-
Other Scholarships	-	2,000	2,000	-
TOTAL	<u>\$ 2,639,541</u>	<u>198,122</u>	<u>25,859</u>	<u>2,811,804</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 5,425,103	6,264,665	6,271,445	5,856,871	5,421,442	4,380,103	4,619,566	4,832,670	4,708,402	4,500,733
Tuition	1,386,623	1,327,773	1,167,944	699,694	680,712	641,945	605,224	563,069	604,225	679,891
Other	658,262	725,621	492,806	670,695	678,492	584,228	785,249	737,907	528,340	512,747
State sources	7,648,057	6,340,733	6,010,920	6,017,759	4,983,633	5,739,568	5,674,712	5,314,953	5,119,715	5,127,797
Federal sources	540,054	513,222	535,316	968,501	1,116,635	413,810	415,101	637,089	305,622	322,688
Total	\$ 15,658,099	15,172,014	14,478,431	14,213,520	12,880,914	11,759,654	12,099,852	12,085,688	11,266,304	11,143,856
Expenditures:										
Instruction:										
Regular	\$ 6,284,689	5,922,565	5,558,359	5,533,375	5,425,578	4,830,195	5,207,288	4,758,080	4,468,592	4,491,662
Special	1,650,136	1,685,278	1,609,004	1,348,690	1,310,220	1,414,818	1,347,445	1,340,088	1,171,342	1,265,053
Other	1,901,487	1,740,071	1,581,393	1,664,711	1,538,845	1,577,193	1,160,250	985,062	919,935	929,905
Support services:										
Student	274,526	247,848	253,568	239,054	182,811	178,169	190,281	205,893	272,808	317,654
Instructional staff	913,504	1,000,218	652,710	694,253	500,707	505,899	506,433	546,597	452,163	567,479
Administration	1,411,522	1,399,574	1,343,436	1,405,993	1,048,273	1,052,134	1,113,036	1,062,281	993,063	1,028,026
Operation and maintenance of plant	1,244,771	1,168,592	1,414,465	1,116,194	1,701,409	920,998	881,125	974,165	805,227	792,801
Transportation	568,940	512,339	506,516	437,721	458,548	335,003	524,508	595,078	433,517	346,058
Non-instructional programs	1,086	-	-	-	-	-	-	6,323	-	3,389
Capital outlay	329,571	496,747	5,104,631	5,822,761	812,553	508,334	803,763	332,005	139,309	32,489
Long-term debt:										
Principal	585,000	525,000	510,000	-	-	25,011	618,828	265,000	255,000	245,000
Interest and other charges	371,437	382,875	392,676	-	-	-	-	-	-	-
Other expenditures:										
AEA flow-through	479,912	462,052	439,414	490,306	463,324	426,384	416,080	393,205	377,143	379,759
Total	\$ 16,016,581	15,543,159	19,366,172	18,753,058	13,442,268	11,774,138	12,769,037	11,463,777	10,288,099	10,399,275

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 14	\$ 57,081
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	305,165
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 14	2,337
			364,583
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 13	48,213
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 14	161,254
			209,467
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	FY 12	875
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 14	4,615
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 14	39,420
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 14	7,398
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	12,980
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 14	60,420
ADVANCED PLACEMENT PROGRAM	84.330	FY 14	231
TOTAL			\$ 699,989

* -Includes \$43,471 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Humboldt Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Humboldt Community School 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 February 17, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

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

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

Humboldt Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 17, 2015
Newton, Iowa

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

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Board of Education of Humboldt Community School District:

Report on Compliance for Each Major Federal Program

We have audited Humboldt Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Humboldt Community School District's major federal programs for the year ended June 30, 2014. Humboldt Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Humboldt Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Humboldt Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Humboldt Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Humboldt Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Humboldt Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Humboldt Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 17, 2015
Newton, Iowa

HUMBOLDT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:

Clustered Programs:

Nutrition Cluster

CFDA Number 10.553 - School Breakfast Program

CFDA Number 10.555 - National School Lunch Program

CFDA Number 10.556 - Special Milk Program for Children

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Humboldt Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash, bank reconciliations.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.

- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - recording approved pay rates and deductions, recordkeeping, entering contracts into the system, preparation, posting and distribution.
- 9) Transfers - preparing and approving.
- 10) Journal entries - writing, posting and approval
- 11) Financial reporting - preparing, reconciling and approving.
- 12) Computer systems - performing all general accounting functions and controlling all data input and output.
- 13) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - We will continue to review procedures to obtain and the best control possible.

Conclusion - Response accepted.

OTHER MATTERS:

- II-B-14 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying several significant negative student lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the overdue balances, another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - We have implemented procedures to communicate with parents and small claims court.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.556 - Special Milk Program for Children
Federal Award Year: 2014
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-14 Segregation of Duties - One important aspect of internal accounting control is the (2014-001) segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash, bank reconciliations.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Inventories - ordering, receiving, issuing and storing.
- 5) Transfers - preparing and approving.
- 6) Financial reporting - preparing, reconciling and approving.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.

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

Response - We will continue to review procedures to obtain and the best control possible.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - Expenditures for the year ended June 30, 2014, exceeded the certified budget amount in the instruction functional area.

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

Response - We were not aware that we had exceeded the budget, the District's software has been updated with corrected account codes to keep this from happening in the future.

Conclusion - Response accepted.

IV-B-14 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-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.

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

IV-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 insure that the coverage is adequate for current operations.

IV-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was understated by 1.5 students.

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

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

Conclusion - Response accepted.

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

IV-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

IV-L-14 Financial Condition - The District had one account in the Special Revenue, Student Activity Fund that had a deficit balance at the end of the year totaling \$17,220.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit. The District should consider additional approval of bills from the Student Activity Fund. A workout plan for the deficit accounts should also be considered.

Response - The District will continue to monitor this fund.

Conclusion - Response accepted.

IV-M-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. 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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments during the fiscal year 2014 audit:

Beginning balance		\$ 1,223,203
Revenues:		
Sales tax revenues	\$ 1,115,092	
Other local revenue	305	1,115,397
		<u>2,338,600</u>
Expenditures/transfers out:		
School infrastructure	244,480	
Equipment	184,373	
Other	1,500	
Transfers to other funds:		
Debt service fund	710,373	1,140,726
		<u>1,140,726</u>
Ending balance		<u>\$ 1,197,874</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.

IV-N-14 Contracts - We noted during our audit that the Athletic Director signed a contract for acceptance of a proposal for track surfacing repairs. We also noted a contract for a copier/printer lease signed by the superintendent. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - We will continue to instruct staff on this procedure.

Conclusion - Response accepted.

IV-O-14 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for non-certified staff coaches.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should review payroll procedures to ensure that supporting documentation is kept for all employees who received checks.

Response - The District has implemented procedures to correct this.

Conclusion - Response accepted.