

HAMBURG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Hamburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
David Mincer	President	2015
Reva Benefiel	Vice President	2017
Susan Harris	Board Member (Resigned August 2014)	2015
Debbie Reeves	Board Member (Appointed August 2014)	2015
Steven Stenzel	Board Member	2015
Phillip Kuhr	Board Member	2017
School Officials		
Terry Kenealy	Superintendent	2015
Kris Wood	Board Secretary	2015
Ahlers & Cooney, P.C.	Attorney	2015

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INDEPENDENT AUDITORS REPORT

**To the Board of Education
Hamburg School District:**

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Hamburg Community School District, Hamburg, Iowa, as of and for the year ended June 30, 2015, 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, business type activities, each major fund, and the aggregate remaining fund information of the Hamburg Community School District at June 30, 2015 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, Hamburg Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 Hamburg 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 nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, 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 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 March 10, 2016, on our consideration of the Hamburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hamburg Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hamburg 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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,125,632 in fiscal year 2014 to \$3,282,259 in fiscal year 2015, while General Fund expenditures decreased from \$3,332,554 in fiscal year 2014 to \$3,094,832 in fiscal year 2015. This resulted in an increase in the District's General Fund balance from \$502,607 at June 30, 2014 to a balance of \$690,034 at June 30, 2015, a 37.29% increase from the prior year.
- The increase in General Fund revenues was attributable to the District receiving more in local tax revenue during fiscal year 2015. The decrease in expenditures was due primarily to the decrease in expenditures in the support services functional area.

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 Hamburg 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 Hamburg 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 Hamburg 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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the capital projects funds, as well as student activity and trust fund accounts.

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

Figure A-1
Hamburg Community School District Annual Financial Report

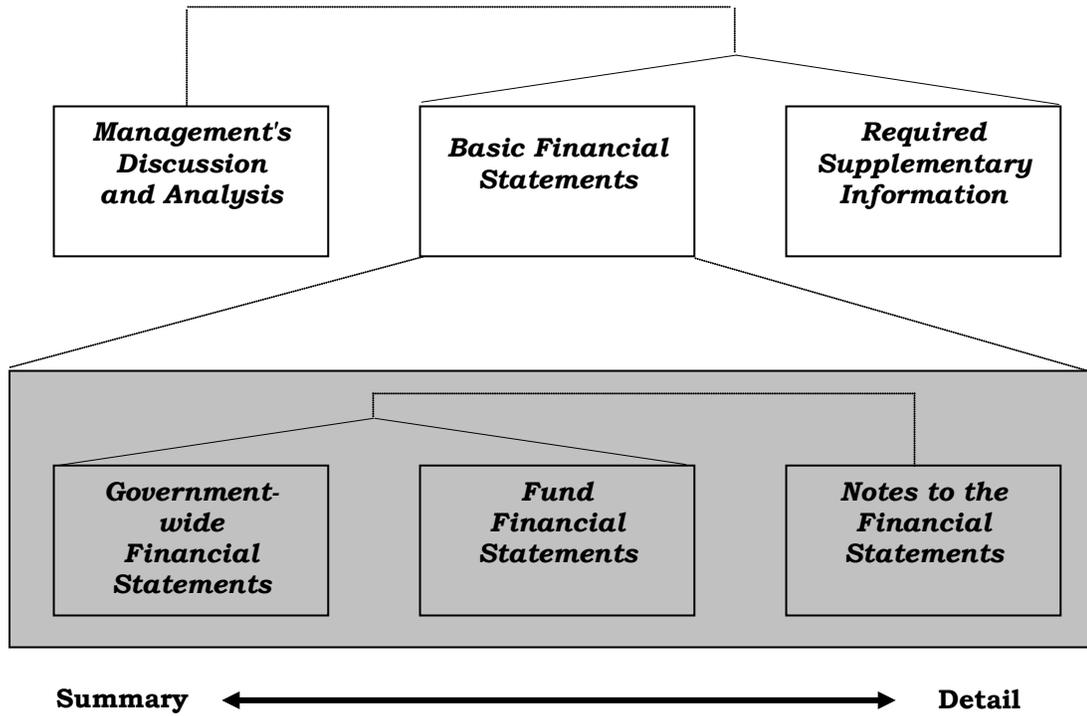


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
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 it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition 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, the Special Revenues Funds, the Debt Service Fund and the 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 District currently has one internal service fund accounting for flex-benefits for employees.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These include Private-Purpose Trust Funds.

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

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

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

Reconciliations between the government-wide financial statements and the 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, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		
	(Not		(Not		(Not		
	2015	restated)	2015	restated)	2015	restated)	2014-15
Current and other assets	\$ 4,272,188	3,517,147	29,340	17,833	4,301,528	3,534,980	21.68%
Capital assets	1,721,188	1,723,463	29,180	34,744	1,750,368	1,758,207	-0.45%
Total assets	5,993,376	5,240,610	58,520	52,577	6,051,896	5,293,187	14.33%
Deferred outflows of resources	186,899	-	5,369	-	192,268	-	100.00%
Long-term liabilities	1,138,340	138,439	26,803	47	1,165,143	138,486	741.34%
Other liabilities	906,003	535,365	81,343	72,824	987,346	608,189	62.34%
Total liabilities	2,044,343	673,804	108,146	72,871	2,152,489	746,675	188.28%
Deferred inflows of resources	1,757,947	1,399,395	10,201	-	1,768,148	1,399,395	26.35%
Net position:							
Net investment in capital assets	1,652,244	1,643,856	29,180	34,744	1,681,424	1,678,600	0.17%
Restricted	1,342,652	1,204,894	-	-	1,342,652	1,204,894	11.43%
Unrestricted	(616,911)	318,661	(83,638)	(55,038)	(700,549)	263,623	-365.74%
Total net position	\$ 2,377,985	3,167,411	(54,458)	(20,294)	2,323,527	3,147,117	-26.17%

The District's combined net position decreased by 26.17%, or \$823,590, from the prior year. A portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$137,758, or 11.43% from the prior year. This increase in restricted net position can be attributed to the increase in the Capital Projects Fund balance.

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 \$964,172, or 365.74%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$1,133,063 and \$33,120, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 412,825	512,528	43,980	49,170	456,805	561,698	-18.67%
Operating grants, contributions and restricted interest	298,665	315,050	102,983	96,670	401,648	411,720	-2.45%
General revenues:							
Property tax	1,416,437	1,654,987	-	-	1,416,437	1,654,987	-14.41%
Income surtax	131,445	108,819	-	-	131,445	108,819	20.79%
Statewide sales, services and use tax	237,037	225,274	-	-	237,037	225,274	5.22%
Unrestricted state grants	1,256,435	1,244,376	-	-	1,256,435	1,244,376	0.97%
Unrestricted investment earnings	198	159	1	2	199	161	23.60%
Other	17,511	20,199	515	331	18,026	20,530	-12.20%
Total revenues	3,770,553	4,081,392	147,479	146,173	3,918,032	4,227,565	-7.32%
Program expenses:							
Instructional	2,224,550	2,260,683	-	-	2,224,550	2,260,683	-1.60%
Support services	988,480	1,163,115	5,106	4,150	993,586	1,167,265	-14.88%
Non-instructional programs	-	-	143,417	147,825	143,417	147,825	-2.98%
Other expenditures	213,886	214,219	-	-	213,886	214,219	-0.16%
Total expenses	3,426,916	3,638,017	148,523	151,975	3,575,439	3,789,992	-5.66%
Change in net position	343,637	443,375	(1,044)	(5,802)	342,593	437,573	-21.71%
Net position beginning of year, as restated	2,034,348	2,724,036	(53,414)	(14,492)	1,980,934	2,709,544	-26.89%
Net position end of year	\$ 2,377,985	3,167,411	(54,458)	(20,294)	2,323,527	3,147,117	-26.17%

In fiscal 2015, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 80.66% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest account for 99.65% of the revenue from business type activities.

The District's total revenues were approximately \$3.92 million of which approximately \$3.77 million was for governmental activities and approximately \$0.15 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.32% decrease in revenues and a 5.66% decrease in expenses. A decrease in property tax revenues was the primary factor in the decrease in revenues while a decrease in support service expenditures were the primary factors of the decrease in expenditures for the year.

Governmental Activities

Revenues for governmental activities were \$3,770,553 and expenses were \$3,426,916 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014	Change 2014-15	2015	2014	Change 2014-15
Instruction	\$ 2,224,550	2,260,683	-1.60%	1,662,252	1,540,825	7.88%
Support services	988,480	1,163,115	-15.01%	944,314	1,160,599	-18.64%
Other expenses	213,886	214,219	-0.16%	108,860	109,015	-0.14%
Totals	\$ 3,426,916	3,638,017	-5.80%	2,715,426	2,810,439	-3.38%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$412,825.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$298,665.
- The net cost of governmental activities was financed with \$1,416,437 in property tax, \$131,445 in income surtax, \$237,037 in statewide sales, services and use tax, \$1,256,435 in unrestricted state grants, \$198 in interest income and \$17,511 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2015 were \$147,479 while expenses totaled \$148,523. 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 Hamburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,845,848, above last year's ending fund balances of \$1,476,419. The primary reason for the increase in combined fund balances in fiscal 2014 is due to the increase in the Management Levy Fund balance.

Governmental Fund Highlights

- The District's General Fund balance increased from a balance of \$502,607 at June 30, 2014 to \$690,034 at June 30, 2015. The primary reasons for this increase in fund balance were increases in local tax source revenues received as compared to the previous year.
- The Capital Projects Fund balance increased from \$511,723 at June 30, 2014 to \$747,920 at June 30, 2015. This increase was due primarily to decreased spending for the operation and maintenance of plant and transportation support services as compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from a restated deficit balance of \$53,414 at July 1, 2014 to a deficit balance of \$54,458 at June 30, 2015, representing a decrease of 1.95%. A contributing factor to this decrease in the School Nutrition Fund net position was an increase in support services expenditures incurred during the year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$168,001 less than budgeted revenues, a variance of 4.12%. The most significant variance resulted from the District receiving less in local source revenues than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$1,750,368, 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) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$166,705.

The original cost of the District's capital assets was \$4,839,180. Governmental funds account for \$4,748,210 with the remainder of \$90,970 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's land improvements totaled \$0 at June 30, 2014, compared to \$153,181 at June 30, 2015. This increase was the result of the District starting work on a new building addition.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 42,707	42,707	-	-	42,707	42,707	0.00%
Construction in progress	153,181	-	-	-	153,181	-	100.00%
Buildings	1,057,639	1,145,855	-	-	1,057,639	1,145,855	-8.34%
Land improvements	297,969	317,154	-	-	297,969	317,154	-6.44%
Machinery and equipment	169,692	217,747	29,180	34,744	198,872	252,491	-26.96%
Total	\$ 1,721,188	1,723,463	29,180	34,744	1,750,368	1,758,207	-0.45%

Long-Term Debt

At June 30, 2015, the District had \$1,165,143 in other long-term debt outstanding. This represents an increase of 741.34% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District has a capital lease payable of \$68,944 at June 30, 2015, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had termination benefits of \$85,841 at June 30, 2015, payable from the Management Levy Fund.

The District had a net pension liability of \$941,823 at June 30, 2015. The governmental activities of the District accounted for \$915,075 of the total with the business type activities of the District accounted for \$26,748.

The District had a net OPEB liability of \$68,535 as of June 30, 2015. The District's governmental activities account for \$68,480 of this total while the District's business type activities account for the remaining \$55.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Capital lease payable	68,944	79,607	-	-	68,944	79,607	-13.39%
Termination benefits	85,841	-	-	-	85,841	-	100.00%
Net pension liability	915,075	-	26,748	-	941,823	-	100.00%
Net OPEB liability	68,480	58,832	55	47	68,535	58,879	16.40%
Total	\$ 1,138,340	138,439	26,803	47	1,165,143	138,486	741.34%

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:

- Financial planning has been effected by the states inability to set allowable growth in a timely fashion. The District has been forced to settle employee contracts prior to allowable growth being set which is backwards from sound financial planning guidelines. The state

allowable growth has also been at historically low percentages the past three years which has created a tightening of all expenditures in our district. This coupled with flat line student enrollment has created a difficult economic situation for our school district.

- Another factor impacting our district financial position is the whole grade sharing arrangement with Farragut. Farragut has consistently overspent their budget and since we pay a percentage of the secondary program we have spent more than budget for this program. The Farragut district was dissolved by the Iowa Department of Education so we will be able to build and control our budget much better in future years.
- Recent layoffs at both Pella and Eaton Corporations have caused economic stress for many of our families and impacted the overall economic position of our community.

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 Kris Wood, Business Manager/Board Secretary, Hamburg Community School District, 105 E Street, Hamburg, Iowa, 51640.

Basic Financial Statements

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,339,684	6,113	2,345,797
Receivables:			
Property tax:			
Delinquent	17,815	-	17,815
Succeeding year	1,408,964	-	1,408,964
Income surtax	111,186	-	111,186
Accounts	2,692	16,784	19,476
Due from other funds	74,398	-	74,398
Due from other governments	317,449	3,905	321,354
Inventories	-	2,538	2,538
Capital assets, net of accumulated depreciation	1,721,188	29,180	1,750,368
TOTAL ASSETS	5,993,376	58,520	6,051,896
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	186,899	5,369	192,268
LIABILITIES			
Due to other funds	-	74,398	74,398
Accounts payable	688,470	1,104	689,574
Salaries and benefits payable	215,154	3,592	218,746
Advances from grantors	1,576	-	1,576
Accrued interest payable	803	-	803
Unearned revenue	-	2,249	2,249
Long-term liabilities:			
Portion due within one year:			
Termination benefits	28,614	-	28,614
Capital lease payable	10,892	-	10,892
Portion due after one year:			
Termination benefits	57,227	-	57,227
Capital lease payable	58,052	-	58,052
Net pension Liability	915,075	26,748	941,823
Net OPEB Liability	68,480	55	68,535
TOTAL LIABILITIES	2,044,343	108,146	2,152,489
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	1,408,964	-	1,408,964
Pension related deferred inflows	348,983	10,201	359,184
TOTAL DEFERRED INFLOWS OF RESOURCES	1,757,947	10,201	1,768,148
NET POSITION			
Net investment in capital assets	1,652,244	29,180	1,681,424
Restricted for:			
Categorical funding	231,758	-	231,758
Management levy purposes	328,300	-	328,300
Student activities	34,674	-	34,674
School infrastructure	464,753	-	464,753
Physical plant and equipment	283,167	-	283,167
Unrestricted	(616,911)	(83,638)	(700,549)
TOTAL NET POSITION	\$ 2,377,985	(54,458)	2,323,527

SEE NOTES TO FINANCIAL STATEMENTS.

**HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	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	\$ 1,544,787	244,951	36,533	(1,263,303)	-	(1,263,303)
Special	479,699	118,786	26,160	(334,753)	-	(334,753)
Other	200,064	4,922	130,946	(64,196)	-	(64,196)
	<u>2,224,550</u>	<u>368,659</u>	<u>193,639</u>	<u>(1,662,252)</u>	<u>-</u>	<u>(1,662,252)</u>
Support services:						
Student	22,468	10,498	-	(11,970)	-	(11,970)
Instructional staff	73,141	-	-	(73,141)	-	(73,141)
Administration	514,859	33,668	-	(481,191)	-	(481,191)
Operation and maintenance of plant	244,052	-	-	(244,052)	-	(244,052)
Transportation	133,960	-	-	(133,960)	-	(133,960)
	<u>988,480</u>	<u>44,166</u>	<u>-</u>	<u>(944,314)</u>	<u>-</u>	<u>(944,314)</u>
Other expenditures:						
Long-term debt interest	1,459	-	-	(1,459)	-	(1,459)
AEA flowthrough	105,026	-	105,026	-	-	-
Depreciation(unallocated)*	107,401	-	-	(107,401)	-	(107,401)
	<u>213,886</u>	<u>-</u>	<u>105,026</u>	<u>(108,860)</u>	<u>-</u>	<u>(108,860)</u>
Total governmental activities	<u>3,426,916</u>	<u>412,825</u>	<u>298,665</u>	<u>(2,715,426)</u>	<u>-</u>	<u>(2,715,426)</u>
Business type activities:						
Support services:						
Administration	448	-	-	-	(448)	(448)
Operation and maintenance of plant	4,658	-	-	-	(4,658)	(4,658)
	<u>5,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,106)</u>	<u>(5,106)</u>
Non-instructional programs:						
Food service operations	143,417	43,980	102,983	-	3,546	3,546
Total business type activities	<u>148,523</u>	<u>43,980</u>	<u>102,983</u>	<u>-</u>	<u>(1,560)</u>	<u>(1,560)</u>
Total	<u>\$ 3,575,439</u>	<u>456,805</u>	<u>401,648</u>	<u>(2,715,426)</u>	<u>(1,560)</u>	<u>(2,716,986)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,250,975	-	1,250,975
Capital outlay				165,462	-	165,462
Income surtax				131,445	-	131,445
Statewide sales, services and use tax				237,037	-	237,037
Unrestricted state grants				1,256,435	-	1,256,435
Unrestricted investment earnings				198	1	199
Other				17,511	515	18,026
Total general revenues				<u>3,059,063</u>	<u>516</u>	<u>3,059,579</u>
Change in net position				343,637	(1,044)	342,593
Net position beginning of year, as restated				<u>2,034,348</u>	<u>(53,414)</u>	<u>1,980,934</u>
Net position end of year				<u>\$ 2,377,985</u>	<u>(54,458)</u>	<u>2,323,527</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 1,072,923	828,933	436,838	2,338,694
Receivables:				
Property tax:				
Delinquent	15,629	2,186	-	17,815
Succeeding year	1,249,439	159,525	-	1,408,964
Income surtax	63,535	47,651	-	111,186
Accounts	2,692	-	-	2,692
Due from other funds	102,880	-	-	102,880
Due from other governments	281,073	36,376	-	317,449
TOTAL ASSETS	\$ 2,788,171	1,074,671	436,838	4,299,680
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	-	28,482	28,482
Accounts payable	568,433	119,575	462	688,470
Salaries and benefits payable	215,154	-	-	215,154
Advances from grantors	1,576	-	-	1,576
Total liabilities	785,163	119,575	28,944	933,682
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	1,249,439	159,525	-	1,408,964
Income surtax	63,535	47,651	-	111,186
Total deferred inflows of resources	1,312,974	207,176	-	1,520,150
Fund balances:				
Restricted for:				
Categorical funding	231,758	-	-	231,758
Management levy purposes	-	-	414,141	414,141
Student activities	-	-	34,674	34,674
School infrastructure	-	464,753	-	464,753
Physical plant and equipment	-	283,167	-	283,167
Unassigned:				
General	458,276	-	-	458,276
Student activities	-	-	(40,921)	(40,921)
Total fund balances	690,034	747,920	407,894	1,845,848
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,788,171	1,074,671	436,838	4,299,680

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances of governmental funds (page 20)		\$ 1,845,848
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,721,188
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		990
Accounts receivable income surtax, is not yet available to pay current year expenditures and, therefore, is recognized as a deferred inflows of resources in the governmental funds.		111,186
Accrued interest payable on long-term liabilities is not due and payable in the current year, therefore, is not reported as a liability in the governmental funds.		(803)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 186,899	
Deferred inflows of resources	<u>(348,983)</u>	(162,084)
Long-term liabilities, including capital lease payable and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(1,138,340)</u>
Net position of governmental activities (page 18)		<u><u>\$ 2,377,985</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,322,961	219,768	-	1,542,729
Tuition	357,031	-	-	357,031
Other	79,720	65	26,292	106,077
State sources	1,408,285	237,096	-	1,645,381
Federal sources	114,182	-	-	114,182
Total revenues	<u>3,282,179</u>	<u>456,929</u>	<u>26,292</u>	<u>3,765,400</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,509,105	6,668	-	1,515,773
Special	492,941	-	-	492,941
Other	184,926	-	26,508	211,434
	<u>2,186,972</u>	<u>6,668</u>	<u>26,508</u>	<u>2,220,148</u>
Support services:				
Student	22,440	-	-	22,440
Instructional staff	31,899	20,238	22,497	74,634
Administration services	427,795	-	16,529	444,324
Operation and maintenance of plant	202,935	2,193	14,953	220,081
Transportation	117,765	-	-	117,765
	<u>802,834</u>	<u>22,431</u>	<u>53,979</u>	<u>879,244</u>
Capital outlay	-	193,959	-	193,959
Long-term debt:				
Principal	-	-	10,663	10,663
Interest and fiscal charges	-	-	1,711	1,711
	<u>-</u>	<u>-</u>	<u>12,374</u>	<u>12,374</u>
Other expenditures:				
AEA flowthrough	105,026	-	-	105,026
Total expenditures	<u>3,094,832</u>	<u>223,058</u>	<u>92,861</u>	<u>3,410,751</u>
Excess(Deficiency) of revenues over(under)expenditures	187,347	233,871	(66,569)	354,649
OTHER FINANCING SOURCES(USES):				
Insurance proceeds	-	14,700	-	14,700
Sale of equipment	80	-	-	80
Transfer in	-	-	12,374	12,374
Transfer out	-	(12,374)	-	(12,374)
Total other financing sources(uses)	<u>80</u>	<u>2,326</u>	<u>12,374</u>	<u>14,780</u>
Change in fund balances	187,427	236,197	(54,195)	369,429
Fund balances beginning of year	<u>502,607</u>	<u>511,723</u>	<u>462,089</u>	<u>1,476,419</u>
Fund balances end of year	<u>\$ 690,034</u>	<u>747,920</u>	<u>407,894</u>	<u>1,845,848</u>

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG 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, 2015

Change in fund balances - total governmental funds (page 22)		\$ 369,429
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
<p>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. Depreciation expense and capital outlay expenditures in the current year are as follows:</p>		
Capital outlay	\$ 158,866	
Depreciation expense	<u>(161,141)</u>	(2,275)
<p>Income surtax accounts receivable is not available to finance expenditures of the current year, and is recognized as a deferred inflows of resources in the governmental funds.</p>		
		5,153
<p>Repayment of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
		10,663
<p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		252
<p>The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflow of resources in the Statement of Net Position.</p>		
		126,700
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:</p>		
Other postemployment benefits	(9,648)	
Pension expense	(70,796)	
Termination benefits payable	<u>(85,841)</u>	<u>(166,285)</u>
Change in net position of governmental activities (page 19)		<u>\$ 343,637</u>

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Cash and pooled investments	\$ 6,113	990
Accounts receivable	16,784	-
Due from other governments	3,905	-
Inventories	2,538	-
Capital assets, net of accumulated depreciation	29,180	-
TOTAL ASSETS	58,520	990
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	5,369	-
LIABILITIES		
Due to other funds	74,398	-
Accounts payable	1,104	-
Salaries and benefits payable	3,592	-
Unearned revenues	2,249	-
Net pension liability	26,748	-
Net OPEB liability	55	-
TOTAL LIABILITIES	108,146	-
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	10,201	-
NET POSITION		
Net investment in capital assets	29,180	-
Unrestricted	(83,638)	990
TOTAL NET POSITION	\$ (54,458)	990

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for service	\$ 43,980	-
Miscellaneous	515	-
TOTAL OPERATING REVENUES	44,495	-
OPERATING EXPENSES:		
Support services:		
Administration:		
Services	448	-
Operation and maintenance of plant:		
Services	1,387	-
Supplies	3,271	-
Total support services	5,106	-
Non-instructional programs:		
Food service operations:		
Salaries	47,550	-
Benefits	6,092	-
Services	500	-
Supplies	83,511	-
Depreciation	5,564	-
Other	200	-
Total non-instructional programs	143,417	-
TOTAL OPERATING EXPENSES	148,523	-
OPERATING LOSS	(104,028)	-
NON-OPERATING REVENUES:		
State sources	1,280	-
Federal sources	101,703	-
Interest income	1	-
TOTAL NON-OPERATING REVENUES	102,984	-
Change in net position	(1,044)	-
Net position beginning of year, as restated	(53,414)	990
Net position end of year	\$ (54,458)	990

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 29,187	-
Cash received from miscellaneous operating activities	515	-
Cash payments to employees for services	(54,750)	-
Cash payments to suppliers for goods or services	(82,284)	-
Net cash used in operating activities	(107,332)	-
Cash flows from non-capital financing activities:		
Net interfund activity	5,000	-
State grants received	1,280	-
Federal grants received	90,463	-
Net cash provided by non-capital financing activities	96,743	-
Cash flows from investing activities:		
Interest on investments	1	-
Net decrease in cash and cash equivalents	(10,588)	-
Cash and cash equivalents beginning of year	16,701	990
Cash and cash equivalents end of year	\$ 6,113	990
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (104,028)	-
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities used	7,335	-
Depreciation	5,564	-
Increase in inventories	(1,406)	-
Increase in accounts receivable	(16,784)	-
Increase in accounts payable	1,104	-
Increase in salaries and benefits payable	424	-
Decrease in net pension liability	(10,313)	-
Increase in deferred outflows of resources	(1,428)	-
Increase in deferred inflows of resources	10,201	-
Increase in unearned revenue	1,991	-
Increase in other postemployment benefits	8	-
Net cash used in operating activities	\$ (107,332)	-

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$7,335.

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 23,604
LIABILITIES	-
NET POSITION	
Held in trust for scholarships	<u>\$ 23,604</u>

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
ADDITIONS:	
Local sources:	
Interest income	\$ 0
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	<u>4,642</u>
Change in net position	(4,642)
Net position beginning of year	<u>28,246</u>
Net position end of year	<u>\$ 23,604</u>

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies

The Hamburg 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 City of Hamburg, Iowa, and the predominate agricultural territory of Fremont County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Hamburg 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 Hamburg Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 Fremont County Assessors' Conference Board.

B. Basis of Presentation

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. 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 is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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 nonmajor governmental funds. Combining schedules are 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 expenses, 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 non-major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's Flex-Benefits plan.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary fund is 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 measureable 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 - assigned and then unassigned fund balances.

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

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

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

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

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

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

Property Tax Receivable - Property taxes 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. 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

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

Capital Assets - Capital assets, which include property, machinery, 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	\$ -
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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

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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 year. 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 year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

improvement certificates of a drainage district.

At June 30, 2015 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligation Portfolio which are valued at an amortized cost of \$151,649 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	School Nutrition	\$ 74,398
General	Special Revenue: Student Activity	28,482
Total		\$ 102,880

The Enterprise: School Nutrition Fund is repaying the General Fund for money borrowed to pay salaries and benefits in a prior period.

The Special Revenue: Student Activity Fund is repaying the General Fund for salaries and benefits paid and not transferred in a prior period.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 12,374

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for the payment of principal and interest on the Districts bus lease.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 90,970	-	-	90,970
Less accumulated depreciation	56,226	5,564	-	61,790
Business type activities capital assets, net	\$ 34,744	(5,564)	-	29,180

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 42,707	-	-	42,707
Construction in progress	-	153,181	-	153,181
Total capital assets not being depreciated	42,707	153,181	-	195,888
Capital assets being depreciated:				
Buildings	2,862,253	-	-	2,862,253
Land improvements	549,542	-	-	549,542
Machinery and equipment	1,278,342	5,685	143,500	1,140,527
Total capital assets being depreciated	4,690,137	5,685	143,500	4,552,322
Less accumulated depreciation for:				
Buildings	1,716,398	88,216	-	1,804,614
Land improvements	232,388	19,185	-	251,573
Machinery and equipment	1,060,595	53,740	143,500	970,835
Total accumulated depreciation	3,009,381	161,141	143,500	3,027,022
Total capital assets being depreciated, net	1,680,756	(155,456)	-	1,525,300
Governmental activities capital assets, net	\$ 1,723,463	(2,275)	-	1,721,188

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 8,996
Special	1,049
Other	4,020
Support services:	
Administration	10,373
Operation and maintenance of plant	629
Transportation	28,673
	53,740
Unallocated depreciation	107,401
Total governmental activities depreciation expense	\$ 161,141
Business type activities:	
Food service operations	\$ 5,564

Note 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance			Balance	Due
	Beginning			End of	Within
	of Year			Year	One Year
	as Restated	Additions	Deletions		
Governmental activities:					
Capital lease payable	\$ 79,607	-	10,663	68,944	10,892
Termination benefits	-	85,841	-	85,841	28,614
Net pension liability	1,267,891	-	352,816	915,075	-
Net OPEB liability	58,832	9,648	-	68,480	-
Total	\$ 1,406,330	95,489	363,479	1,138,340	39,506
Business type activities:					
Net pension liability	\$ 37,061	-	10,313	26,748	-
Net OPEB liability	47	8	-	55	-
Total	\$ 37,108	8	10,313	26,803	-

Capital Lease Payable

During the year ended June 30, 2014 the District entered into a lease purchase agreement for the purchase of a new school bus. The lease bears interest at an annual rate of 2.15% and is payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund. Details of the District's capital lease indebtedness as of June 30, 2015 are as follows:

Year Ending June 30,	Issue Dated December 15, 2013				
	Interest Rates	Principal	Interest	Total	
2016	2.15 %	\$ 10,892	1,482	12,374	
2017	2.15	58,052	1,248	59,300	
Total		\$ 68,944	2,730	71,674	

Termination Benefits

During the year ended June 30, 2015, the District offered a voluntary retirement package to employees of the District. Eligible employees must have been at least age fifty-five and completed ten years of consecutive and continuous years of employment with the District. Employees must have completed an application which is required to be approved by the Board of Education.

The retirement benefit provided in the current year is equal to 50% of the employees base salary payable in six semi-annual installments beginning on July 1, 2015, toward a tax deferred health reimbursement account plan.

At June 30, 2015, the District had obligations to three employees with a total liability of \$85,841.

Note 7. Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees'

Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$130,310.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$941,823 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.023272 percent, which was an increase of 0.000224 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$72,866. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,236	\$ -
Changes of assumptions	41,565	-
Net difference between projected and actual earnings on pension plan investments	-	359,184
Changes in proportion and differences between District contributions and proportionate share of contributions	10,157	-
District contributions subsequent to the measurement date	130,310	-
Total	<u>\$ 192,268</u>	<u>\$ 359,184</u>

\$130,310 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (75,320)
2017	(75,320)
2018	(75,320)
2019	(75,320)
2020	4,054
	<u>\$ (297,226)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 1,779,548	\$ 941,823	\$ 234,696

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$14,790 for legally required employer contributions and \$9,854 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical, prescription drug and dental benefits for employees, retirees, and their spouses. There are 12 active and 1 retired members in the plan. Employees must be age 55 or older at retirement and have ten or more years of service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Iowa School Employee Benefits Association. 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 of the District (ARC), 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 June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 15,800
Interest on net OPEB obligation	1,472
Adjustment to annual required contribution	(4,173)
Annual OPEB cost	<u>13,099</u>
Contributions made	(3,443)
Increase in net OPEB obligation	9,656
Net OPEB obligation beginning of year	<u>58,879</u>
Net OPEB obligation end of year	<u>\$ 68,535</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$3,443 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 11,927	25.69%	\$ 49,998
2014	12,634	29.71%	58,879
2015	13,099	26.28%	68,535

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$94,667 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$94,667. The covered payroll (annual payroll of active employees covered by the plan) was \$1,010,302 and the ratio of the UAAL to covered payroll was 9.37%. As of June 30, 2015, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the 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%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), and Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical and dental insurance. District contributions to ISEBA for the year ended June 30, 2015 were \$173,128.

Hamburg 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.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$105,026 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

The District’s restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Programs</u>	<u>Amount</u>
Limited English Proficient	\$ 26,942
Home School Assistance Program	3,525
Weighted At-Risk Programs	21,754
Returning Droupouts and Dropout Prevention Programs	102,555
Beginning Teacher Mentoring and Induction Program	59
Market Factor	566
Iowa Early Intervention Block Grant	12,631
Successful Progression for Early Readers	10,781
Professional Development for Model Core Curriculum	9,044
Professional Development	12,625
Market Factor Grants	22,931
Market Factor Incentives	2,384
Teacher Leadership Grants	5,961
Total	<u>\$ 231,758</u>

Note 12. Deficit Fund Balance/Net Position

The District had six accounts with a combined deficit unassigned fund balance of \$40,921 and a deficit total fund balance of \$6,247 in the Student Activity Fund. In addition, the District had deficit unrestricted net position of \$83,638 and a deficit total net position of \$54,458, in the Enterprise, School Nutrition Fund. The District also had a deficit unrestricted net position of \$616,911 in the governmental activities.

Note 13. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position are as follows:

	Net Investment in Capital Assets	Management Levy	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	414,141	458,276
Capital assets, net of accumulated depreciation	1,721,188	-	-
Capital lease capitalized indebtedness	(68,944)	-	-
Termination benefits	-	(85,841)	-
Income surtax receivable	-	-	111,186
Internal service fund	-	-	990
Accrued interest payable	-	-	(803)
Pension related deferred outflows	-	-	186,899
Net pension liability	-	-	(915,075)
Pension related deferred inflows	-	-	(348,983)
Net OPEB liability	-	-	(68,480)
Unassigned for student activities	-	-	(40,921)
Net position (Exhibit A)	<u>\$ 1,652,244</u>	<u>328,300</u>	<u>(616,911)</u>

Note 14. Accounting Change/Restatement Note

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 3,167,411	\$ (20,294)
Net pension liability at June 30, 2014	(1,267,891)	(37,061)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	134,828	3,941
Net position July 1, 2014, as restated	<u>\$ 2,034,348</u>	<u>\$ (53,414)</u>

Hamburg Community School District

Required Supplementary Information

HAMBURG COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,005,837	44,496	2,050,333	2,464,769	2,464,769	(414,436)
State sources	1,645,381	1,280	1,646,661	1,475,111	1,475,111	171,550
Federal sources	114,182	101,703	215,885	141,000	141,000	74,885
Total revenues	<u>3,765,400</u>	<u>147,479</u>	<u>3,912,879</u>	<u>4,080,880</u>	<u>4,080,880</u>	<u>(168,001)</u>
Expenditures/Expenses:						
Instruction	2,220,148	-	2,220,148	2,640,000	2,640,000	419,852
Support services	879,244	5,106	884,350	1,564,900	1,564,900	680,550
Non-instructional programs	-	143,417	143,417	147,000	147,000	3,583
Other expenditures	311,359	-	311,359	633,025	633,025	321,666
Total expenditures/expenses	<u>3,410,751</u>	<u>148,523</u>	<u>3,559,274</u>	<u>4,984,925</u>	<u>4,984,925</u>	<u>1,425,651</u>
Excess(Deficiency) of revenues (over)under expenditures/expenses	354,649	(1,044)	353,605	(904,045)	(904,045)	1,257,650
Other financing sources, net	<u>14,780</u>	<u>-</u>	<u>14,780</u>	<u>-</u>	<u>-</u>	<u>14,780</u>
Excess(Deficiency)of revenues and other financing sources over(under)expenditures/expenses	369,429	(1,044)	368,385	(904,045)	(904,045)	1,272,430
Balances beginning of year, as restated	<u>1,476,419</u>	<u>(53,414)</u>	<u>1,423,005</u>	<u>2,220,934</u>	<u>2,220,934</u>	<u>(797,929)</u>
Balances end of year	<u>\$ 1,845,848</u>	<u>(54,458)</u>	<u>1,791,390</u>	<u>1,316,889</u>	<u>1,316,889</u>	<u>474,501</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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

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

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

HAMBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR*
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
District's proportion of the net pension liability	0.023272%
District's proportionate share of the net pension liability	\$ 942
District's covered-employee payroll	\$ 1,459
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	64.56%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amount presented for each fiscal year were determined as of June 30.

Note: Only the current year fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST 10 FISCAL YEARS
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contribution	\$ 130	139	129	115	109	115	112	101	93	90
Contributions in relation to the statutorily required contribution	<u>(130)</u>	<u>(139)</u>	<u>(129)</u>	<u>(115)</u>	<u>(109)</u>	<u>(115)</u>	<u>(112)</u>	<u>(101)</u>	<u>(93)</u>	<u>(90)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>						
District's covered-employee payroll	\$ 1,459	1,557	1,488	1,425	1,568	1,655	1,764	1,669	1,617	1,565
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 200,031	\$ 200,031	0.00%	\$ 1,767,181	11.32%
2011	July 1, 2009	-	185,940	185,940	0.00%	1,425,726	13.04%
2012	July 1, 2009	-	157,905	157,905	0.00%	922,195	17.12%
2013	July 1, 2012	-	96,853	96,853	0.00%	849,681	11.40%
2014	July 1, 2012	-	96,111	96,111	0.00%	655,571	14.66%
2015	July 1, 2012	-	94,667	94,667	0.00%	1,010,302	9.37%

See Note 8 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.

Hamburg Community School District

Supplementary Information

HAMBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 414,141	22,697	436,838
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Due to other funds	-	28,482	28,482
Accounts payable	-	462	462
Total liabilities	-	28,944	28,944
Deferred inflows or resources:	-	-	-
Fund balances:			
Restricted for:			
Management levy purposes	414,141	-	414,141
Student activities	-	34,674	34,674
Unassigned:			
Student activities	-	(40,921)	(40,921)
Total fund balances	414,141	(6,247)	407,894
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 414,141	22,697	436,838

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Special Revenue				
	Management Levy	Student Activity	Total	Debt Service	Total
REVENUES:					
Local sources:					
Other	\$ 2,811	23,481	26,292	-	26,292
EXPENDITURES:					
Current:					
Instruction:					
Other	-	26,508	26,508	-	26,508
Support services:					
Instructional staff	22,497	-	22,497	-	22,497
Administration	16,529	-	16,529	-	16,529
Operation and maintenance of plant	14,953	-	14,953	-	14,953
	53,979	-	53,979	-	53,979
Other expenditures:					
Long-term debt:					
Principal	-	-	-	10,663	10,663
Interest and fiscal charges	-	-	-	1,711	1,711
	-	-	-	12,374	12,374
TOTAL EXPENDITURES	53,979	26,508	80,487	12,374	92,861
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(51,168)	(3,027)	(54,195)	(12,374)	(66,569)
OTHER FINANCING SOURCES:					
Transfer in	-	-	-	12,374	12,374
Change in fund balances	(51,168)	(3,027)	(54,195)	-	(54,195)
Fund balances beginning of the year	465,309	(3,220)	462,089	-	462,089
Fund balances end of the year	\$ 414,141	(6,247)	407,894	-	407,894

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 547,313	281,620	828,933
Receivables:			
Property tax:			
Delinquent	-	2,186	2,186
Succeeding year	-	159,525	159,525
Income surtax	-	47,651	47,651
Due from other governments	36,376	-	36,376
TOTAL ASSETS	\$ 583,689	490,982	1,074,671
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 118,936	639	119,575
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	159,525	159,525
Income surtax	-	47,651	47,651
Total deferred inflows of resources	-	207,176	207,176
Fund balances:			
Restricted for:			
School infrastructure	464,753	-	464,753
Physical plant and equipment	-	283,167	283,167
Total fund balances	464,753	283,167	747,920
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 583,689	490,982	1,074,671

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	219,768	219,768
Other	46	19	65
State sources	237,037	59	237,096
Total revenues	237,083	219,846	456,929
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	6,668	6,668
Support services:			
Instructional staff	20,238	-	20,238
Operation and maintenance of plant	2,193	-	2,193
Capital outlay	188,601	5,358	193,959
Total expenditures	211,032	12,026	223,058
Excess of revenues over expenditures	26,051	207,820	233,871
OTHER FINANCING SOURCES(USES):			
Insurance proceeds	-	14,700	14,700
Transfer out	(12,374)	-	(12,374)
TOTAL OTHER FINANCING SOURCES(USES)	(12,374)	14,700	2,326
Change in fund balances	13,677	222,520	236,197
Fund balances beginning of the year	451,076	60,647	511,723
Fund balances end of the year	\$ 464,753	283,167	747,920

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund			
	Class of 1953 Scholarship	Rice Scholarship	Hensleigh Scholarship	Total
ASSETS				
Cash and pooled investments	\$ 650	8,118	14,836	23,604
LIABILITIES	-	-	-	-
NET POSITION				
Held in trust for scholarships	\$ 650	8,118	14,836	23,604

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund							Total
	Class of							
	Boldra Scholarship	1953 Scholarship	Activities Scholarship	Other Scholarship	Rice Scholarship	Hensleigh Scholarship	Pepsi Scholarship	
ADDITIONS:								
Local sources:								
Interest income	\$ -	-	-	-	-	-	-	-
DEDUCTIONS:								
Instruction:								
Regular:								
Scholarships awarded	-	-	-	-	2,000	2,600	42	4,642
Deficiency of revenues under expenditures	-	-	-	-	(2,000)	(2,600)	(42)	(4,642)
OTHER FINANCING SOURCES(USES):								
Transfers in	847	-	-	-	-	-	-	847
Transfers out	-	-	(350)	(100)	-	(397)	-	(847)
TOTAL OTHER FINANCING SOURCES(USES):	847	-	(350)	(100)	-	(397)	-	-
Change in net position	847	-	(350)	(100)	(2,000)	(2,997)	(42)	(4,642)
Net position beginning of year	(847)	650	350	100	10,118	17,833	42	28,246
Net position end of year	\$ -	650	-	-	8,118	14,836	-	23,604

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama	\$ 7,806	660	2,792	-	5,674
Band	46	25	25	-	46
HS Athletics	(31,591)	2,524	3,278	951	(31,394)
HS Athletics Resale	361	-	361	-	-
JH Athletics	810	-	810	-	-
Scholastic book fair	-	300	-	-	300
Elementary Field Trip Fund	12,382	10,803	8,306	-	14,879
MS Field Trip Fund	10,051	7,771	8,346	-	9,476
Elementary Activity	3,589	26	711	-	2,904
Elementary Yearbook	1,182	38	-	-	1,220
Chorus	-	-	180	-	(180)
Interest	951	-	-	(951)	-
Class of 2003	(6,110)	-	-	-	(6,110)
Student Council	(344)	-	-	-	(344)
Yearbook	(150)	325	-	-	175
Elementary Music Activity	(786)	-	-	-	(786)
MS Yearbook	(1,417)	1,009	1,699	-	(2,107)
Total	\$ (3,220)	23,481	26,508	-	(6,247)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG 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,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 1,542,729	1,718,525	1,955,411	1,791,797	1,729,727	1,595,332	1,495,740	1,433,070	1,390,820	1,435,744
Tuition	357,031	497,887	377,168	868,674	222,692	72,521	91,603	107,798	75,449	75,210
Other	106,077	74,880	92,083	54,538	89,319	107,321	139,138	131,701	144,440	140,650
Intermediate sources	-	-	-	-	-	1,000	-	-	-	-
State sources	1,645,381	1,640,425	1,252,773	1,465,084	1,326,701	1,317,863	1,508,235	1,547,915	1,438,664	1,285,828
Federal sources	114,182	104,394	176,698	90,552	220,634	381,682	131,789	146,812	150,327	99,339
Total	<u>\$ 3,765,400</u>	<u>4,036,111</u>	<u>3,854,133</u>	<u>4,270,645</u>	<u>3,589,073</u>	<u>3,475,719</u>	<u>3,366,505</u>	<u>3,367,296</u>	<u>3,199,700</u>	<u>3,036,771</u>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,515,773	1,569,116	1,760,825	1,906,371	1,336,106	1,300,988	1,509,588	1,332,653	1,314,265	1,223,556
Special	492,941	515,539	495,494	499,816	375,373	461,602	366,222	402,759	303,217	329,945
Other	211,434	222,279	246,439	221,685	249,148	365,869	271,120	274,313	326,518	335,126
Support services:										
Student	22,440	33,271	73,122	61,491	74,705	57,249	25,768	68,177	58,196	80,629
Instructional staff	74,634	94,098	77,443	42,083	42,212	77,027	76,388	94,482	81,216	47,723
Administration	444,324	480,897	501,458	427,916	465,268	561,185	402,493	488,458	444,707	440,965
Operation and maintenance of plant	220,081	397,823	304,072	348,364	232,220	324,099	274,327	298,480	306,839	282,213
Transportation	117,765	299,710	177,017	224,624	136,680	218,698	121,948	132,236	151,007	100,356
Non-instructional programs	-	-	-	-	-	5,255	-	-	458	-
Capital outlay	193,959	267,299	384,333	346,834	94,780	140,189	53,993	47,296	40,092	100,016
Other expenditures:										
Long-term debt:										
Principal	10,663	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	1,711	-	-	-	-	-	-	-	-	-
AEA flow-through	105,026	105,204	99,609	100,642	113,373	116,397	103,853	101,979	96,137	91,789
Total	<u>\$ 3,410,751</u>	<u>3,985,236</u>	<u>4,119,812</u>	<u>4,179,826</u>	<u>3,119,865</u>	<u>3,628,558</u>	<u>3,205,700</u>	<u>3,240,833</u>	<u>3,122,652</u>	<u>3,032,318</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Hamburg Community School District

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

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

We have audited 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hamburg Community School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hamburg 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 Hamburg Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hamburg 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, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-15 to I-C-15 to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamburg 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 that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 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.

Hamburg Community School District's Responses to Findings

Hamburg Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Hamburg 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 controls 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 Hamburg 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.

March 10, 2016
Newton, Iowa

HAMBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-15 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 - handling, recording and reconciling cash.
- 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) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) School lunch program - 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 - The District continues to work to segregate duties. Areas where changes have been implemented include: Two people count cash and sign off on balancing. Brandi opens mail and records receipts, Roxanne makes deposits, Kris runs entries and balances. Brandi enters disbursements, Kris reviews and prints checks, Brandi mails. Brandi and Roxanne monitor hourly time clock software. Brandi enters payroll absences. Kris runs payroll.

Conclusion - Response accepted.

I-B-15 Financial Reporting - During our audit we identified material amounts of receivables and payables which were not recorded on the District's financial statements.

Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation - The District should implement procedures to ensure receivables and payables are identified and included in the District's financial statements.

Response - The Business Manager has gained considerable knowledge through the process of being audited and will work to ensure these entries are in place as the auditors arrive in the future.

Conclusion - Response accepted.

- I-C-15 Grant Coding - We noted the District has several grants that did not have expenses coded to these grants or were not reconciled by the District. The District then made subsequent journal entries to reclassify expenses to these grants. The reclassifying of expenses gives the appearance that these grants may not be monitored throughout the year and the District is finding already existing purchases that might qualify for the grant.

Recommendation - The District should determine who and what costs are appropriate prior to payment and operation of the grant. The individual in charge of the grants should be communicating with the accounting department and consistently monitoring financial reports to ensure that the grant is spent for appropriate items as well as in the correct time period.

Response - Committees were formed to address grant assignments (i.e. Lakin Grant, ILC, Martin Trust, Etc). The District continues to work on this process with additional grants including At Risk and Drop Out Prevention to correct future use of grants.

Conclusion - Response accepted.

OTHER MATTERS:

- I-D-15 Deficit Student Account Balances - During our audit we noted multiple deficit student lunch account balances on the Districts financial statements at June 30, 2015. Some of these deficit amounts appeared to be excessive in amount.

Recommendation - The District should develop policies regarding the treatment of negative account balances aimed at discouraging accounts from becoming excessively negative. The District may also wish to investigate alternatives to bring negative accounts back to a positive balance.

Response - A Board Policy was adopted to address deficit hot lunch accounts during Spring 2015. The District continues to work with long term deficits and will seek the assistance of collection agencies if need be.

Conclusion - Response accepted.

- I-E-15 Student Activity Class Account - We noted during our audit that the District has a Class of 2003 account still on its books with a deficit balance of \$6,110 at year end.

Recommendation - At year end, class officers of the graduating class should decide what happens with unused class funds. Since the Class of 2003 account has a deficit balance the District should develop a plan to bring the account back to a zero balance. The District could reallocate funds from other student activity fund accounts which have a

positive balance at the end of the year based on recommendations made by the Activities Director and approved by the District's Board of Directors. The District could also fundraise to bring the account back to a zero balance.

Response - The District has worked to clear the negative account balances in the student activity fund and has implemented a line item budget to alleviate future overspending.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-15 Certified Budget - District disbursements for the year ended June 30, 2015, did not exceed the certified budget.
- II-B-15 Questionable Disbursements -No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25,1979 were noted.
- II-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-15 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-15 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.
- II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. We did note that the board minutes did not reference the Code of Iowa when going into closed session as required by Iowa Code 21.5(1)(i). It was also noted that the Board minutes did not list the maximum amount to be kept at each official depository of the District as required by Iowa Code 12C.2.

Recommendation - The District should review procedures to ensure that the board minutes are in compliance with Code of Iowa.

Response - Changes have been implemented to reference the Code of Iowa when going into closed session. The Board has now approved maximum amounts to be kept in each depository.

Conclusion - Response accepted.

- II-G-15 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 Deposits and Investments - 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 were noted.

- II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely.
- II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, 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 identified during the fiscal year 2015 audit:

Beginning Balance		\$	451,076
Revenues:			
Sales tax revenues	\$	237,037	
Other local revenues		46	237,083
			<u>688,159</u>
Expenditures			
School infrastructure construction	\$	187,114	
Equipment		4,553	
Other		19,365	
Transfers to other funds			
Debt service fund		12,374	223,406
			<u>464,753</u>
Ending Balance		\$	<u>464,753</u>

For the year ended June 30, 2015 the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

- II-M-15 Financial Condition - The District had the following deficit balances at June 30, 2015. The District had six accounts with a combined deficit unassigned fund balance of \$40,921 and deficit total fund balance of \$6,247 in the Student Activity Fund. The District had a deficit unrestricted net position of \$83,638 and a deficit total net position of \$54,458 in the Nutrition Fund. The District had a deficit unrestricted net position of \$616,911 in the governmental activities. The primary reason for the deficit net position is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should continue to monitor these fund balances and investigate alternatives to eliminate the deficits. Additionally the District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The District has implemented the Universal Breakfast Program and has adjusted hot lunch pricing to resolve the deficit in the Hot Lunch Program. The District will work to determine ways to support and correct the deficit in the activity fund.

Conclusion - Response accepted.

II-N-15 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2015, the Student Activity Fund owed the General Fund \$28,482, and the Nutrition Fund owed the General Fund \$74,398.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek outside funding to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - It appears the District should seek outside funding to comply with the declaratory ruling in order to repay the interfund loan the Nutrition Fund borrowed from the General Fund.

Response - The District has implemented the Universal Breakfast Program and has adjusted hot lunch pricing. Good progress in resolving the deficit in the Hot Lunch Program has been made. The District will continue to work to determine ways to support and correct the deficit in the Activity Fund.

Conclusion - Response accepted.

II-O-15 Teacher's Contracts - We noted during our audit that the District received Teacher Salary Supplement(TSS) moneys pursuant to sections 257.10 of the Code of Iowa. We noted the District distributed the TSS evenly throughout the year; however we noted the TSS payments were not included in the District salary schedule and therefore not included on individual employee contracts. Chapter 284.3A(2)(a) requires school districts to combine payments made to teachers under section 257.10 with regular wages and create one salary system. Furthermore, if a school district uses a salary schedule, one salary schedule shall be used for regular wages and for distribution of payments under section 257.10. Chapter 284.3A(1)(c) of the Code of Iowa requires that the amount determined to be paid to an individual teacher shall be divided evenly by the appropriate number of pay periods and paid in each pay period of the fiscal year. We also noted the District subsequently moved expenditures from regular salaries to TSS funding through journal entries. TSS expenditures should be coded to the appropriate grant codes as they are incurred each pay period by the District.

Recommendation - The payment of the TSS funding should be recorded to the correct project codes as the expenses are incurred each pay period by the District to be in compliance with Chapter 284.3A of the Code of Iowa. The District should also include TSS payments into the salary schedule to be in compliance with Chapter 257.10 of the Code of Iowa.

Response - The Business Manager has included the TSS in normal monthly payroll processing. Pertinent verbiage regarding the payment of the TSS dollars will be included in the FY17 contracts issued.

Conclusion - Response accepted.

II-P-15 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for noncertified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The District has implemented procedures to track hours of work by all coaches. Hours are analyzed at the end of the season and any payroll adjustments are made at that time.

Conclusion - Response accepted.

II-Q-15 Board Policies - We did note several board policies that have not been updated in the past 5 years. Board policies should be reviewed by the board at least once every 5 years

Recommendation - The Board should review the policies to ensure they are up to date.

Response - The Board Policy Committee is meeting monthly reviewing ALL Board Policies during the 2015-2016 school year.

Conclusion - Response accepted.

II-R-15 Payroll Procedures - We noted during our audit that the District did not have payroll authorization per Iowa Code 91A.3 to mail employee's payroll checks through the U.S. mail.

Recommendation - The District should review its procedures to ensure compliance with the Code of Iowa prior to the mailing of payroll checks.

Response - The District has obtained payroll authorization from all employees allowing the District to mail payroll checks.

Conclusion - Response accepted.